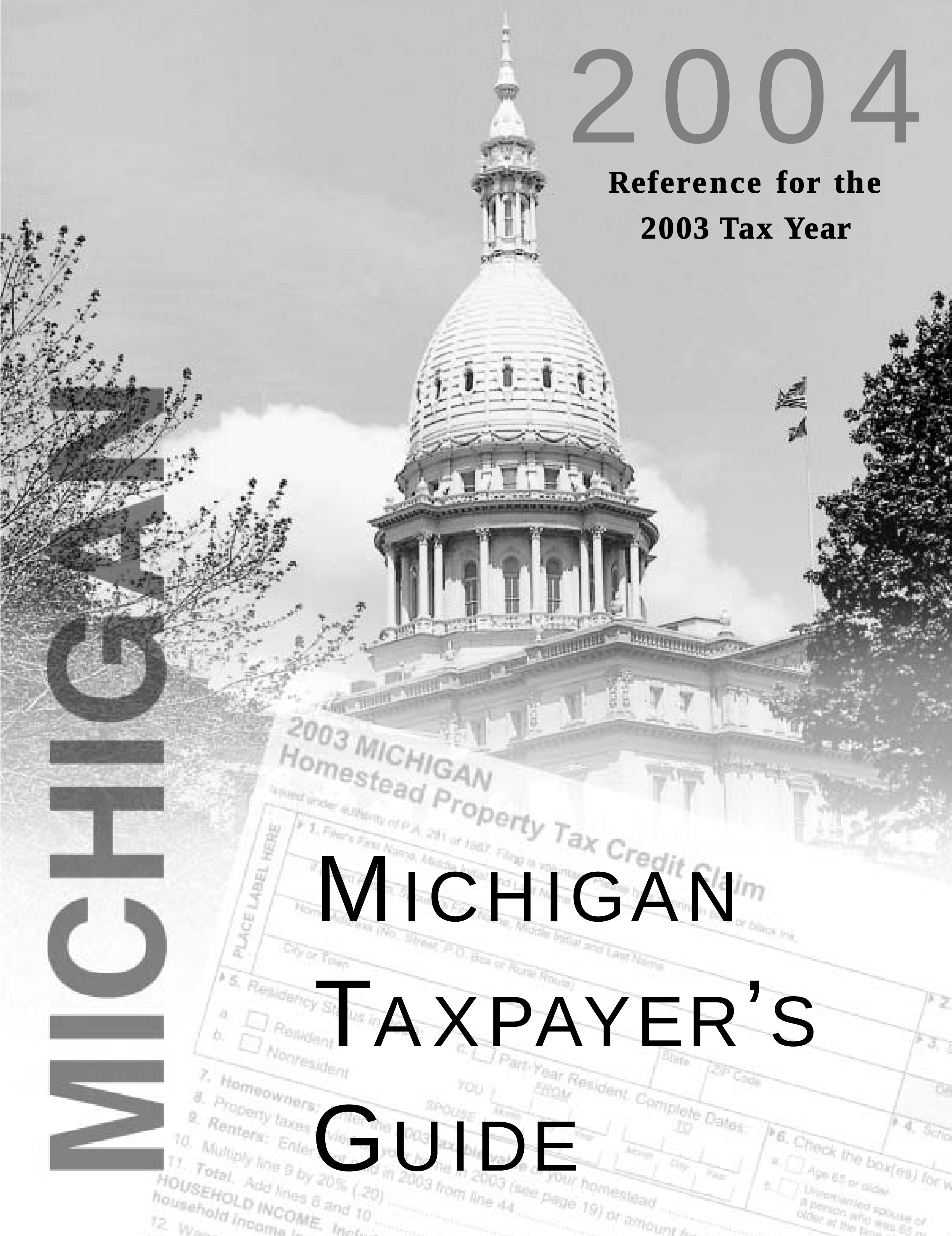
# 2004

**Reference for the 2003 Tax Year**




# Michigan Taxpayer's Guide

*Dear Taxpayer:*

*With our varying tax laws under constant review and often changing, the task of sorting all the information put before you at this time of year becomes more and more difficult.*

*For the 2003 tax year, we hope to make that task a little easier by providing you with "The 2004 Michigan Taxpayer's Guide." This booklet gives you the latest information on many of Michigan's tax laws, in simple-to-understand English, put together in a single publication.*

*This booklet contains information for the 2003 tax year on property taxes, homestead property tax credits, farmland and open space tax relief, the home heating credit program, the Michigan Income Tax, the Single Business Tax, and other tax-related subjects. Your attention to the information contained in this booklet may ease the burden of filling out state tax forms and may even save you money. However, this booklet is not designed to provide you with line-by-line instructions for filling out state income tax forms. That information is provided by the Michigan Department of Treasury in the income tax instruction books that include your tax forms.*

*This year the income tax rate has been lowered to 4.0%, and the personal exemption for taxpayers and dependents on state income tax returns has increased to $3,100. The pension and annuity income deductions are larger, and the interest and dividend income deduction for senior citizens is larger.*
*The income tax form also has special categories of personal exemptions known as the Michigan special exemptions. These exemption categories are in addition to your allowable federal exemptions and include the categories age 65 or older, deaf, blind or disabled, and unemployment compensation that amounts to 50% or more of adjusted gross income. You may now exempt $1,900 of income for each special exemption category that applies to you, your spouse (if filing jointly), or dependents.*

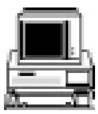
*Most taxpayers may request that their income tax refund be directly deposited into a U.S. financial account of their choice. To request direct deposit, you must fill out the direct deposit portion of your MI-1040, MI-1040CR, or MI-1040CR-2. You may also file form 3174 and attach it to your state income tax form. Do not request direct deposit if you are filing a home heating credit claim from which an energy draft will be issued.*

# Help With Your Taxes

*Treasury is committed to fair, consistent and courteous customer service.*

We are pleased to offer the following services available 24 hours a day, 7 days a week.

**Note:** To get return information using the "Internet" and "Telephone" options below (excluding "Tele-Help"), you must have the primary filer's Social Security number and adjusted gross income or household income.



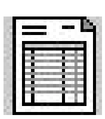
### Internet
### www.michigan.gov/iit

You can access the Department of Treasury Web site to: (1) check the date Treasury is currently processing returns, (2) check if your refund has been issued, and when, for the current year and three prior years, (3) ask Treasury a question, and (4) request copies of returns filed. Visit our Web site at **www.michigan.gov/iit** to access these service options. A list of Frequently Asked Questions is also available.

### Telephone
### 1-800-827-4000

Call the Computerized Return Information System (CRIS) to: (1) check the date Treasury is currently processing returns, (2) check if your refund has been issued, and when, for the current year and three prior years, (3) check estimated payments, and (4) order copies of current and prior year tax forms.

**Tele-Help:** For prerecorded information about income tax and tax credit topics, telephone 1-800-827-4000, select menu option "4" and enter the appropriate code number from the topics list in the next column. →



### Forms

**Internet:** Forms are available on our Web site at **www.michigan.gov/treasury**

**Fax:** Dial 517-241-8730 from a fax phone to have current year Michigan tax forms sent to your fax machine 24 hours a day.

**Phone:** Call toll-free 1-800-827-4000 to have tax forms mailed to you.

**Public Offices** (available during regular business hours): Commonly used forms are available at Treasury offices (see back cover) and most public libraries, Northern Michigan post offices, Michigan Secretary of State branch offices, and Family Independence Agency branch offices.

**Persons who are deaf, hard of hearing or have a speech impairment may call 517-636-4999 (TTY).**

## Tax Information At Your Fingertips!
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***The assistance of the***
***Michigan Department of Treasury***
***is acknowledged for its role in***
***the preparation of this publication.***

***This information is provided free to***
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Prepared by the
Michigan Legislature
January 2004

# MICHIGAN PROPERTY TAX

An important part of our state's tax structure has traditionally been the reliance on the general property tax for the funding of school districts, townships, villages, cities, and counties of the state. It has been the largest yielding tax of all of Michigan's state and local taxes, and it has long been a major source of revenue for the financing of the operating expenses of schools. With the passage of 1993 PA 145, however, local property taxes were eliminated as a source of funding for K-12 and intermediate school district school operating funding. With approximately 64% of the $10.2 billion in total funding for schools eliminated, it became necessary to look for a new way to restructure Michigan's tax system. In 1994, the voters of the state of Michigan approved ballot Proposal A by a margin of 1,681,541 to 750,952 in a special election held on March 15, 1994. This proposal (Senate Joint Resolution S), in part, imposed an additional 2% rate on the sales and use taxes and capped the rate of annual increases in taxable value to the rate of inflation or 5%, whichever is less. When the property is transferred, it is assessed in the following year at one half of true cash value. For 2004, the cap has been set at 2.3%.

In addition to the changes associated with Proposal A, a number of laws were tie-barred to the passage of the proposal which made historic changes to Michigan's tax structure. The major changes included 1993 PA 328 which lowered the state income tax rate from 4.6% to 4.4% (1999 PA 4 lowered the rate to 4.0% for the 2003 tax year) and which increased from 17% to 20% the percentage of rent that renters may use to calculate their homestead property tax credit; 1993 PA 330, which, as subsequently amended, established the Real Estate Transfer Tax Act, imposing a tax of $3.75 for each $500 or fraction of $500 of the total amount of value of all real property transferred in the state beginning January 1, 1995; and 1993 PA 327, which increased the cigarette tax to 37.5 mills per cigarette (or $0.75 per pack) and levied a tax of 16% on the wholesale price of other tobacco products. Under 2002 PA 503, the cigarette tax was increased to 62.5 mills per cigarette (or $1.25 per pack), and the tax on the wholesale price of other tobacco products was raised to 20%.

As to the property tax, 1993 PA 331 created the State Education Tax Act, imposing a six-mill state education tax levy on all property subject to the general property tax. 2002 PA 244, however, provided for a one-time summer collection of the state education tax. The act also provided that, for the 2003 summer tax collection only, the state education tax would be levied at the rate of five mills, rather than six mills. 1993 PA 312 allows local school districts to levy not more than 18 mills for school operating purposes or the number of mills levied in 1993 for school operating purposes, whichever is less. Principal residences and, pursuant to 1994 PA 136, qualified agricultural property are exempt from the 18-mill levy.

A homeowner's principal residence is defined, in part, to mean that portion of a dwelling or unit in a multiple dwelling owned and occupied as the owner's principal residence. A homestead also includes all of an owner's unoccupied residential property adjoining or contiguous to the dwelling owned and used as the owner's principal residence; any portion of a principal residence rented or leased as a residence to another as long as that portion rented or leased is less than 50% of the dwelling's total square footage of living space; a life care facility; or property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Qualified agricultural property, in part, means unoccupied property and related buildings classified as agricultural or other unoccupied property and related buildings on that property devoted primarily to agricultural use. Property used for commercial storage, processing, distribution, marketing, or shipping is not qualified agricultural property, and an owner will not receive an exemption for that portion of the taxable value of the property used for a commercial or industrial purpose.

To be eligible for the homeowner's principal residence (formerly "homestead")/qualified agricultural use exemption in 2004, an owner of property must have claimed an exemption by filing an affidavit with the local tax collecting unit on or before May 1. A husband and wife, filing jointly, are entitled to no more than one homestead exemption. To be eligible for the agricultural use exemption on land classified for assessment purposes as agricultural, it is not necessary to file an affidavit unless the assessor requests it.

In addition to the 18 mills in local, nonhomestead property tax permitted to be levied under 1993 PA 312, a limited number of high-revenue school districts may levy supplemental "hold harmless" mills on a principal residence and, in some circumstances, on nonhomestead property. With voter approval, an intermediate school district may also levy up to three "regional enhancement" mills on all property for school operating purposes. School districts may, with voter approval, levy up to five mills for the creation of a sinking fund to construct and repair school buildings, and a school district operating a community college may continue to levy taxes for operation at a rate equal to the mills formerly authorized. With the expiration of such authorization, the district, with voter approval, may renew the millage authorization, levy additional millage, or both. Finally, an intermediate school district, pursuant to 1994 PA 258, may authorize certain millage for operating expenses, funding vocational-technical education programs, and special education programs.

When looking at the property tax changes in Michigan, it is helpful to realize that, with the exception of the state education tax, the property tax is really a general term for all the property taxes imposed by townships, school districts, counties, cities or villages, and other local units of government, which are all local in nature. Money raised through property taxes goes toward financing local services, such as police and fire protection; public education; the operation of city, village, township, and county governments; and financing special projects such as sewers, streets, or parks. All property taxes collected by local units of government, other than the state education tax which is sent to the School Aid Fund for distribution, are kept locally, and no part of that revenue is sent to or used by the state.

The following is intended to provide you with general information about this tax, the assessment of property, the equalization process, what to do if you feel your assessment is too high, and property tax rates, as well as important dates as to when tax rates are determined, assessments are made, and when taxpayers can appeal.

## YOUR PROPERTY TAX ASSESSMENT

Property subject to taxation by local units of government is classified as either real or personal property. Real property consists of land and any improvements to the land, such as buildings and water and sewer facilities. In contrast, personal property includes tangible items such as furniture, machines, and equipment belonging to a business and those items not permanently attached to land or buildings. Customary household goods such as furnishings, clothing, and cars are some of the items that have been exempted from this tax.

Real property has been further divided into the following classifications: agricultural, commercial, developmental, industrial, residential, and timber cutover; while personal property has been classified as either agricultural, commercial, industrial, residential, or utility personal property.

In 1954, the Michigan Supreme Court ruled that the "assessed value" of property shall be the value placed upon the property by the local assessing officer, as equalized by the county and finally by the state. Equalization is needed to ensure that property owners in all parts of the county or school district pay their fair share of that unit's taxes. Equalization provides that all similar properties are equally and uniformly assessed and serves to ensure that a school district, city, township, or village in which property is underassessed does not get more than its fair share of state aid. The Michigan Constitution requires that property be assessed uniformly at a rate not to exceed 50% of true cash value. In 1965, the Michigan Legislature set the assessment rate at 50% of true cash value, as authorized by the Constitution.

Property assessment is an annual, three-step process. First, the local assessor determines the assessed value of property based on the condition of the property on December 31 of the previous year. Second, the board of commissioners in each county applies an adjustment factor to the assessments of each city and township in which assessments are above or below the required level. Third, the State Tax Commission applies an adjustment factor to the assessments of a county when its assessments, after the county adjustments, still fail to meet the required level.

Furthermore, the law also requires that the local assessor send to each owner or person or persons listed on the assessment roll of the property a notice, by first-class mail, of an increase in the tentative state equalized valuation (SEV) or the tentative taxable value for the year. The tentative taxable value is the value used to calculate property taxes under the requirements of Proposal A. This notice must be sent at least ten days before the meeting of the local board of review, and it must specify each parcel of property, the tentative taxable value for the current year, and the taxable value for the immediately preceding year. The notice must also include the SEV for the immediately preceding year, the tentative SEV for the current year, the net change between the tentative SEV for the current year and the SEV for the immediately preceding year, the classification of the property, the inflation rate for the immediately preceding year, and a statement explaining the relationship between SEV and taxable value. The notice must also include a reminder that, if the owner purchased the principal residence after May 1 of the prior year, the owner must file a homeowner's principal residence exemption claim on or before May 1.

The Michigan Constitution requires uniform assessments and because, prior to 1981, some taxing jurisdictions had not assessed property at 50% of true cash value, counties and the state had equalized the assessment roll by multiplying the assessed value by a factor designed to bring the total assessed value of all real or personal property on the roll to 50% of true cash value. In carrying out this annual equalization process, it became apparent that among the six different classes of real property and five different classes of personal property, which local units combined for assessment and equalization purposes, some were being assessed at or near the 50% rate, while others were being assessed at a considerably lower rate. This meant that when the local unit of government combined the different classes to determine what rate was needed to bring the total assessed valuation of all property up to the prescribed 50% rate, those classes that were already at or near it would be carrying a greater tax burden than those classes that were at a lower rate.

The process of equalization is now done separately for personal property and for each class of real property within each of the assessing units and the counties. Therefore, if, within an assessing unit, a particular classification of real property, such as residential, has been assessed at the proper percentage of true cash value, no equalization factor will be necessary. The 1981 equalization process was the first year in which the new separate equalization by class was accomplished.

As a further step to encourage local assessors to assess property at 50% of its true cash value, 1981 PA 213 was enacted. This law has required a city or township, when its state equalized valuation exceeds its assessed valuation, to reduce its maximum authorized millage rate to produce the same amount of property tax dollars which would have been generated on the assessed valuation.

When looking at your property tax assessment, it is important to remember that property has been assessed on the basis of its usual selling price (true cash value). For tax purposes, property has traditionally been assessed at 50% of the true cash value and, on equalization, this resulted in the determination of the property's state equalized valuation (SEV). With the passage of Proposal A in March of 1994, however, the annual increase in a property's value for tax purposes, adjusted for all additions or losses, was capped at the rate of inflation or 5%, whichever is less. Taxable value is now the basis for the property tax assessment and, under 1998 PA 542, is the basis for the levy of special assessments that are levied on a millage rate basis. Therefore, a property will have both an SEV and a taxable value. Assuming that your property's true cash value rises faster than the rate of inflation or 5%, whichever is less, over time the property's taxable value may grow at a rate that is significantly lower than the rate of growth of its SEV. When a property is transferred, however, the following year's SEV becomes the property's taxable value. A transfer of ownership occurs when a title or present interest in the property is transferred by, but not limited to, conveyance by deed, land contract, trust, distribution under a will, and certain leases. Transfers of property from one spouse to the other spouse or from a decedent to a surviving spouse, among other exceptions, are not considered to be a transfer of ownership.

In addition, legislation enacted in 2000 eliminated the pop-up from taxable value to SEV when eligible farmland is transferred to new owners. Part of an agricultural preservation package recommended by the Senate Agricultural Preservation Task Force, 2000 PA 260 (Senate Bill No. 709) provided that when someone purchases eligible farmland they may file an affidavit testifying that the property would remain in agricultural use for at least seven years, and the transfer would not trigger the pop-up from taxable value to SEV for assessment purposes.

Applicable for all transfers of agricultural property since January 1, 2000, the pop-up elimination assures that the property will be assessed on taxable value as if the transfer did not occur. If the property has a change in use out of agricultural production, however, 2000 PA 261 (Senate Bill No. 1246) provides that a portion of the benefits of the property tax pop-up elimination will be recaptured. The proceeds of the recapture are dedicated to the Agricultural Preservation Fund for local property development rights preservation programs under 2000 PA 262 (House Bill No. 5780).

## THE BOARD OF REVIEW

If, for any reason, you disagree with the assessed valuation, taxable valuation, or percentage of the qualified agricultural property exemption of your property, you may appeal that assessment to your local governmental board of review. Township boards of review are comprised of three, six, or nine voters of the township who are appointed by the township board. If the board consists of six or nine members it will be split into committees of three. An immediate family member of the assessor may not be a member of the board of review. Two-thirds of the board must be comprised of property taxpayers in the township. The size, composition, and appointment of city boards of review vary according to requirements of their respective charters. Cities may also establish boards of review in the same manner as townships.

Township review boards meet on the Tuesday following the first Monday in March to review the roll and, in the week containing the second Monday in March, to hear protests. The board must meet for a total of at least 12 hours in the second week of March. Review boards in townships must meet at least three hours after 6:00 p.m. The meeting times for city boards of review vary according to requirements of their respective charters. For places and times of their meetings, watch your newspaper or call your local city, township, or village hall. Boards of review also meet in July and in December to correct errors in the roll. These meeting dates are also used for initial hearings on disputes over claims for the homeowner's principal residence, poverty, and qualified agricultural property exemptions as well as recisions of homeowner's principal residence exemptions. If you are not satisfied with the judgment of the board of review, you may appeal your assessment to the Michigan Tax Tribunal.

Remember, it is important that you appeal to the local board of review if you think your property is unfairly assessed relative to similar property. In addition, to make an appeal at the state level, you must have first appealed your assessment locally. This is because the county or state equalization process may require a "factor" which could increase your SEV above the 50% of true cash value level if your property is not properly assessed by the local assessor. If a taxpayer has his or her assessment reduced as a result of a protest, the assessor must use that reduced amount as the basis for determining the next year's assessment.

The governing body of a city or township may authorize, by adoption of an ordinance or resolution, nonresident taxpayers to file a protest before the board of review by letter without a personal appearance by taxpayers or their representatives. If such an ordinance or resolution is adopted, the township or city must notify taxpayers of this option in their assessment notices. In addition, the law requires a local review board to send a written notification of the board's action to every individual who makes a request, protest, or application for correction of property assessment.

If your homeowner's principal residence exemption claim is denied, you may appeal that denial to the Michigan Department of Treasury within 35 days of the notice of the denial. The March board of review has no authority over claims for homeowner's principal residence exemptions. These claims must be filed with the Small Claims Division of the Michigan Tax Tribunal.

## THE MICHIGAN TAX TRIBUNAL

The only governmental body beyond the local board of review which had the power to hear property tax assessment appeals until 1974 was the State Tax Commission. This meant the State Tax Commission had administrative responsibilities for setting the levels and factors of property taxes statewide, and also judicial power of reviewing individual assessments.

The 1973-1974 Michigan Legislature recognized the inequities of this situation and passed the Tax Tribunal Act. Under terms of this statute, an independent tax tribunal has the power to hear appeals of judgments of the local boards of review. The tribunal is a quasi-judicial body whose seven members are appointed by the governor and confirmed by the Michigan Senate.

If you do not believe that you received a fair and equitable response from your local board of review, you may appeal your assessment to the Michigan Tax Tribunal. You must generally file your appeal before June 30 in the year in which you received the assessment, even if you do not receive notification of the results of your appeal by the cutoff date. To make an appeal to the state level, you must have first appealed your assessment to the local board of review, unless you have an appeal pending.

If you have an appeal for a prior year pending before the Michigan Tax Tribunal for claims of property tax exemption or before the Tribunal's Residential Property and Small Claims Division, which has not yet been heard, the Tax Tribunal Act, as amended by 1993 PA 21 and 1996 PA 476, provides that a subsequent assessment dispute will be added automatically to the appeal pending before the Tribunal. You may request that any subsequent year be excluded at the time of the hearing.

An opportunity will be made available upon receipt of the Tribunal's notice of hearing for you to amend the appeal to include subsequent assessment disputes. The Michigan Tax Tribunal will include an instruction form with the notice of hearing advising taxpayers of their right to amend their petition. If you request an evening hearing, the hearing will be held after 6:00 p.m. In addition to hearing appeals from judgments of boards of review, the residential property and small claims division also has exclusive jurisdiction over claims for agricultural, poverty, and homeowner's principal residence exemptions, as well as taxes, interest, and penalties for failure to notify an assessor of a transfer of ownership of property. An appeal of a claim for a homeowner's principal residence exemption must be filed with the division within 35 days after the assessor, county treasurer, or county equalization director denies a claim for exemption.

An appeal of a claim for a poverty exemption must be filed within 30 days after the July or December board of review (which are held to correct errors in the roll) denies a claim of exemption.

There is no fee for the filing of a homeowner's principal residence property tax appeal with the Small Claims Division of the Michigan Tax Tribunal. The fees for the filing of other property tax appeals are on a scale determined by the amount of SEV in contention. The fee for filing other appeals of a property's taxable value is $25.00 unless there is a dispute as to the value of an addition or loss, in which case the fee is based on a scale determined by the amount of SEV in contention.

An initial letter of appeal to the Michigan Tax Tribunal should be addressed to the Michigan Tax Tribunal, P.O. Box 30232, Lansing, MI 48909. The letter should state (1) that you have protested the assessed value this year at your local board of review; (2) the number of assessments you are appealing; and (3) the location of the property by village, city, or township and county.

## YOUR PROPERTY TAX RATES

The tax rate (millage) is the number of dollars the taxpayer must pay for each $1,000 of taxable value. This rate varies by local unit, but certain statewide constitutional and statutory restrictions exist. The rate may not exceed 15 mills ($15 per $1,000) except in counties in which allocation among jurisdictions is permanently fixed by the voters at up to 18 mills. Excluded from these limitations are (1) debt service taxes for all debts of all local units approved by the electorate; (2) extra-voted millage rates up to 50 mills, including allocated mills, for not more than 20 years; and (3) taxes imposed by those units having tax limitations provided by charter or general law (cities, villages, charter townships, charter counties, and charter authorities). As part of Proposal A, 1993 PA 314 provides that local school districts may no longer levy allocated mills and the 15-mill limit is reduced by the number of allocated school mills in 1993.

With the passage in 1978 by Michigan voters of Proposal E, the Headlee Tax Limitation Amendment, the Michigan Constitution was amended to require that if the SEV of existing property in a local unit of government increased by more than the consumer price index, the millage rate must be reduced to yield the same amount of revenue, adjusted for inflation, as could have been collected at the existing authorized rate. With the passage of Proposal A, this millage reduction is made using taxable value.

The Michigan Legislature, under the requirements of the voter-approved constitutional amendment, passed legislation in 1979 to implement the provisions of this amendment. 1979 PA 35 placed in law a formula by which a local unit of government must reduce its maximum authorized millage when its state equalized value/taxable value increases by a percentage greater than the percentage of increase in the average annual consumer price index, not including that part of the increase that is caused by new construction and improvements.

However, because the rate of inflation since 1979 was often higher than the annual increases in the property value of many local units of government, millages had not been reduced nearly enough to satisfy some homeowners. To deal with this situation, and to insure that local governing bodies have control over whether property taxes increase, 1982 PA 5 was enacted. This law, known as the "Truth in Taxation Act," has limited the amount of property tax a local unit can collect to what was collected the previous year, plus the taxes yielded from new additions to the property tax roll. This procedure is carried out by reducing the millage rate to the level which will yield that amount of property tax revenue. The limit can only be increased by a local governing body after it advertises its intent to collect higher taxes, conducts a special public hearing on the specific subject, and then votes to approve the additional millage rate. Taxing units that comply with the "Truth in Budgeting" requirements of the Uniform Budgeting and Accounting Act, however, are exempt from the "Truth in Taxation" notice and public hearing requirements when the hearing is intended to cover both the proposed budget and the proposed tax rate. Legislation enacted in 1999 prohibits the rounding up of millage rates to avoid fractions in computing taxes. Under 1999 PA 38, assessors must round down millage rates to four decimal places and round down tax amounts to the nearest one cent.

To determine what your property tax will be for the year, you simply multiply your total local millage rate by your taxable value. A mill equals one one-thousandth of a dollar ($1 of tax for each $1,000 of taxable value). For example, if your local millage rate is 60 mills ($60 per $1,000 of taxable value) and your taxable value is $20,000, the formula would be $60 x 20, for a property tax of $1,200. In addition, the Michigan Department of Treasury now has a property tax estimator on its website (http://www.Michigan.gov/treasury).

To evaluate the real cost of property taxes to you, it is necessary to relate your property tax bill to the program of tax credits and refunds discussed beginning with page 15 of this booklet. In 2002, for example, nearly 1.3 million eligible Michigan homeowners and renters received credits averaging about $461 from the state through the homestead property tax credit program, for a total of nearly $510 million. Please be aware that, with the reduction in property taxes, total property tax credits for 1994 and 1995 dropped by nearly 40%. In 1996, the state average millage rate declined from 56.64 mills in 1993 to 1995 rates of 31.00 mills on homesteads and 48.79 mills on nonhomestead property.

In 2002, the state had an average millage rate of 40.2 mills, which generated $11.03 billion in general property tax revenue collected by local units of government. The state average rate was 32.60 mills on a principal residence, and 51.00 mills on nonhomesteads. The $11.03 billion was divided among local units of government as follows:

| Local Unit of Government | 2002 Percent of Total Mills Levied | 2002 Estimated Dollars Levied (in Millions) |
|---|---|---|
| County | 15.65% | $1,727.0 |
| Township | 5.28% | 637.4 |
| City | 18.28% | 2,017.0 |
| Village | 0.75% | 83.1 |
| School | 44.61% | 4,922.0 |
| State Education Tax | 14.94% | 1,648.0 |

This is a good indication of what percentage of your property tax dollars have gone to finance specific operations of local government.

## SPECIAL ASSESSMENT DEFERRAL

Many senior citizens have been concerned that rising property taxes could force them from their homes. The homestead property tax reforms approved by Proposal A in 1994 and the homestead property tax credit program will help alleviate this problem for many, but those measures do not address the matter of special assessments, which include assessments for the installation of curbs, gutters, sidewalks, pavements, and drains; tap-in water and sewer fees; roads; and police and fire services, among others. 1976 PA 225, as amended, has provided specific relief in this regard.

Under the provisions of this law, as amended, a homeowner who is 65 years of age or older or who is totally and permanently disabled, and who is a citizen of the United States, a resident of this state for five or more years, the sole owner of the homestead for five or more years, and whose annual household income was not more than $18,365 in 2003, is eligible to defer special assessments on that homestead. The total amount of the special assessment to be deferred, exclusive of interest, cannot be less than $300. Since January 1, 1984, the limit on household income for special assessment deferments has been adjusted annually according to the annual average percentage increase or decrease in the Detroit Consumer Price Index.

Special assessments will be deferred until one year after the owner's death or until the homestead is sold, conveyed, or transferred to someone else. Death of a spouse, however, will not terminate the deferment for the surviving spouse, unless the surviving spouse remarries.

Other significant provisions of 1976 PA 225, as amended, are:

1. That a homeowner who meets the eligibility requirements for deferment of a special assessment, and who borrowed from a lending institution to pay a special assessment before January 8, 1981, is eligible to receive money from a special revolving fund. This fund was established within the Michigan Department of Treasury to allow these individuals to repay the lending institution the principal amount used to pay the special assessment;
2. That the owner or owner's estate pay an interest penalty of 1% per month if the property on which a special assessment deferment has been granted is sold and the deferment has not been terminated. The interest penalty is charged from the date of sale of the property; and
3. For those who qualify for a special assessment deferment, the payment of the deferred special assessment by the owner or the owner's estate will include an interest charge of 1% per month or fraction of a month.

## SUMMER PROPERTY TAX DEFERMENT

Many homeowners are required to pay summer property taxes which become due well before state homestead tax refund checks are issued. However, section 51 of the General Property Tax Act requires any local unit of government collecting a summer property tax to defer collection of the tax until the following February 17, for the following categories of people:

1. Homestead property of a taxpayer who is totally and permanently disabled, blind, paraplegic, quadriplegic, hemiplegic, a senior citizen (age 62 or over, including the unremarried surviving spouse of a person who was 62 years of age or older at the time of death), eligible serviceperson, eligible veteran, or an eligible widow or widower, and whose total household income in the prior taxable year did not exceed $25,000.
2. Property classified or used as agricultural real property, if the gross receipts of the agricultural or horticultural operations in the previous year or the average gross receipts of such operations in the previous three years are not less than the owner's household income in the previous year.

To claim a deferment, a taxpayer must file an intent to defer with the treasurer of the property tax collecting unit on a form the treasurer's office will make available. Persons eligible for the deferment must file by September 15 of the tax year or by the time the tax would become subject to interest or late penalty charges. If different treasurers collect school and municipal summer taxes, an intent to defer must be filed with each to defer collection of each. Summer property taxes deferred under this procedure which are not paid by the following February 17 shall not be subject to penalties or interest for the period of the deferment. This allows you to apply for and receive your homestead property tax rebate before the taxes are due.

Section 44 of the General Property Tax Act authorizes local property tax collecting units to collect up to a 1% property tax administration fee and, on taxes paid after February 17, a 3% late penalty charge. In order to impose a property tax administration fee, collection fee, or any type of late penalty charge, the governing body of the local property tax collecting unit must adopt a one-time ordinance or resolution authorizing their imposition. However, the 3% late penalty charge may be waived by the local governing body of a city or township for the homestead property of a senior citizen, paraplegic, quadriplegic, hemiplegic, eligible serviceperson, eligible veteran, eligible widow or widower, totally and permanently disabled person, or blind person if that individual can demonstrate to the local treasurer that a claim has been filed for a property tax credit and not received by February 17. In addition, the governing body of a local property tax collecting unit may waive all or part of the property tax administration fee or the late penalty charge, or both.

If you think you may qualify for the summer deferment or waiver, you may wish to contact your local treasurer for an application.

## WINTER TAX DEFERRAL AND WAIVER

A taxpayer who is a senior citizen, paraplegic, quadriplegic, hemiplegic, eligible serviceperson, eligible veteran, eligible widow or widower, or who is totally and permanently disabled or blind may be able to delay paying the winter taxes on his or her homestead until April 30 of the first year of delinquency. Section 59 of the General Property Tax Act allows county boards of commissioners to waive any interest, fee, or penalty in excess of the interest, fee, or penalty that would have been added if the tax had been paid by February 17 for those taxpayers if they:

1. Have applied for a property tax credit before February 17;
2. Have not received their refund before March 1; and
3. Present a copy of the property tax credit form to their county treasurer.

However, this deferral is permitted only if a county board of commissioners adopts a resolution approving the deferral.

The law also requires the county treasurer to waive the county's property tax administration fee and to either waive or refund interest charges on delinquent taxes for taxpayers who meet the above qualifications. You may wish to contact your county treasurer to determine if your county has made the deferment available and to determine if you qualify.

## POVERTY EXEMPTION

Section 7u of the General Property Tax Act, being MCL §211.7u, as amended by 1994 PA 390, provides that eligible homeowners may apply for an exemption from paying property taxes. To be eligible for an exemption, a homeowner must apply to the local assessment unit after January 1 but before the day prior to the last day of the board of review.

A person may be eligible to request an exemption if they, at a minimum, owned and occupied the property as their homestead, demonstrated evidence of ownership and identification, and meet poverty income standards. The board of review of the assessing unit would determine if the applicant meets the minimum requirements for exemption and if the application should be granted or denied based on the guidelines for both income and asset levels adopted by the local unit of government. These standards are to be made available to the public. Appeals of poverty exemption denials may be brought before the July or December board of review.

# 2004 PROPERTY TAX CALENDAR

This 2004 Property Tax Calendar has been prepared in accordance with all legislation and directives of the Attorney General applicable to 2004 property taxes. The interpretation of these statutes and directives does not constitute a legal opinion but is rather a statement of the facts as the State Tax Commission believes them to be.

It should be noted that the statutory requirement for assessments, before and after county and state equalization, is still 50% of True Cash Value, and that the Constitution still requires that assessments NOT exceed 50% of True Cash Value, before and after county and state equalization. The 2004 assessments will be subject to county and state equalization. After county and state equalization, assessments as equalized become the Taxable Value (Property Tax Base) for every parcel of property subject to the General Property Tax Act that has a transfer of ownership in the prior year as provided by *Michigan Compiled Laws* (MCL) section 211.27a.

Section references are as assigned in the *Michigan Compiled Laws*.

## TAX DAY FOR 2004 PROPERTY TAX ASSESSMENTS AND DEADLINE FOR SUBMITTING EQUALIZATION STUDIES USED TO SET THE STARTING BASE FOR 2004 EQUALIZATION

| | |
|---|---|
| **December 31, 2003** | Tax day for 2004 assessments and 2004 property taxes. (Section 211.2, Michigan Compiled Laws (MCL).) |
| **December 31, 2003** | Deadline for counties to file 2003 equalization studies for 2004 starting bases with State Tax Commission (STC) for all classifications in all units on STC form L-4018. (Administrative Rule R 209.41) |
| **NOTE:** | Do not confuse the appeal process for the 18-mill school operating "Homeowner's Principal Residence" exemption with the appeal process for the 18-mill school operating exemption for "Qualified Agricultural Property." The "Homeowner's Principal Residence" exemption for either agricultural or residential property is administered by the Michigan Department of Treasury. Property tax questions REGARDING THE "HOMEOWNER'S PRINCIPAL RESIDENCE" EXEMPTION ONLY may be addressed to the Michigan Department of Treasury at 1-800-487-7000 by telephone or in writing to Michigan Department of Treasury, Homeowner's Principal Residence Exemption Unit, P.O. Box 30440, Lansing, MI 48909.<br>December 31 is also the deadline for filing the Farmland affidavit (form 2599) with the local assessor if the property is NOT classified agricultural or if the assessor asks an owner to file it to determine whether the property includes structures that are not exempt.<br>The exemption for "Qualified Agricultural Property" (those exempt agricultural properties not claiming a "Homeowner's Principal Residence" exemption) is administered by the STC. A taxpayer may appeal the denial by the assessor of a "Qualified Agricultural Property" exemption to the March Board of Review (BOR) and, if not satisfied, then to the MTT, in writing, by June 30, 2004 in the same manner as other property tax exemptions, except the "Homeowner's Principal Residence" exemption. |

## 2004: SIGNIFICANT 2004 PROPERTY TAX DATES

| | |
|---|---|
| February 1 is a Sunday<br>**February 2** | Deadline for counties to file single-year studies with STC to amend starting base for those units (with classes) experiencing sharply declining real estate markets. Optional, additional single-year equalization study may be originated by the assessor or by the County Equalization Director. Single-year studies (calendar year 2003) submitted by February 2, 2004 are for 2004 assessment and equalization. |
| February 1 is a Sunday<br>**February 2** | Deadline for a "qualified business" to submit STC form L-4143 for "qualified personal property" with the assessor (MCL 211.8a). |

## 2004: SIGNIFICANT 2004 PROPERTY TAX DATES (CONTINUED)

| | |
|---|---|
| February 14 is a Saturday<br>February 15 is a Sunday<br>February 16 is a Holiday<br>**February 17** | Last day to pay property taxes without the imposition of a late penalty charge equal to 3% of the tax in addition to the property tax administration fee, if any (MCL 211.44). |
| February 15 is a Sunday<br>February 16 is a Holiday<br>**February 17** | A local unit of government that collects a summer property tax shall defer the collection until this date for property which qualifies. (See MCL 211.51.) |
| February 15 is a Sunday<br>February 16 is a Holiday<br>**February 17** | STC certifies assessed valuations for Department of Natural Resources (DNR) lands to assessors (MCL 324.2153). |
| **February 19** | STC certifies metallic mineral property assessments to assessors before February 20 (MCL 211.24). |
| **February 20** | Deadline for taxpayer filing of personal property statement with assessor (MCL 211.19).<br>Deadline for taxpayer to file form 3711 if a claim of exemption is being made for heavy earth-moving equipment. See STC Bulletin 4 of 2001. |
| February 16 is a Holiday<br>**February 17** | **Third Monday in February:** Deadline for County Equalization Director to publish in a newspaper the tentative equalization ratios and estimated State Equalized Valuation (SEV) multipliers for 2004 (MCL 211.34a). |
| **March 1** | The STC shall publish the inflation rate before this date (MCL 211.34d). |
| **March 1** | **First Monday in March:** The 2004 assessment roll shall be completed and certified by the assessor (MCL 211.24). |
| **March 2** | The assessor shall submit the 2004 assessment roll to the BOR on the Tuesday following the first Monday in March (MCL 211.29). |
| **March 2** | **Tuesday following first Monday in March:** First meeting of township BOR (MCL 211.29).<br>**Note:** City BOR may vary according to charter provisions. |
| **March 8** | **Second Monday in March:** Second meeting of township BOR which must start not earlier than 9 a.m. and not later than 3 p.m. (MCL 211.30). BOR must meet one additional day during this week. **Note:** City BOR may vary according to charter provisions. The March BOR has no authority over Homeowner's Principal Residence exemptions. A city or township may authorize an alternative starting date for the BOR, which starting dates must be the Tuesday or Wednesday following the second Monday of March.<br>Every BOR shall hold at least 3 hours of its required sessions during the week of the second Monday in March **after 6 p.m.** |
| **April 1** | Separate tax limitations voted after April 1 of any year are not effective until the subsequent year (MCL 211.205i). |
| **April 5** | **First Monday in April:** Unless the BOR has concluded earlier, last day for BOR protest of assessed value, taxable value, property classification, or percentage of qualified agricultural property exemption assigned by the assessor and BOR (MCL 211.30a). |
| **Note:** | A protest of assessed valuation or taxable valuation or the percentage of Qualified Agricultural Property exemption subsequent to BOR action, must be filed with the MTT, **in writing on or before June 30** at P.O. Box 30232, Lansing, MI 48909. A classification appeal must be filed with the STC **in writing on or before June 30 (1996 PA 476)** (MCL 211.34c) at P.O. Box 30471, Lansing, MI 48909-7971. A classification appeal does not address value or change the equalization factor for the property for the first year, if the STC changes the class. |
| **April 7** | The Township Supervisor or assessor shall deliver completed assessment roll, with BOR certification, to the County Equalization Director **not later than the tenth day after adjournment of the BOR or by April 7** (the Wednesday following the first Monday in April) whichever date occurs first (MCL 211.30(4)). |
| **Note:** | An assessor shall file STC form L-4021 with the County Equalization Department, and STC form L-4022 with the County Equalization Department and the STC, **immediately following adjournment of the BOR.** STC Administrative Rule R 209.26 (10a, 10b). **STC form L-4022 must be signed by the assessor.** |

## 2004: SIGNIFICANT 2004 PROPERTY TAX DATES (CONTINUED)

| | |
|---|---|
| **April 13** | **Tuesday following second Monday in April:** County Board of Commissioners meets in equalization session (MCL 209.5 and 211.34). The County Equalization Director files a tabular statement of the county equalization adopted by the County Board of Commissioners on the **STC form L-4024** prescribed and furnished by the STC, immediately after adoption. **County equalization shall be completed and official report (STC form L-4024) filed with STC prior to May 3, 2004** (first Monday in May). |
| **April 19** | **Third Monday in April:** County Equalization Director files separate STC form L-4023 for each unit in the county with the STC no later than April 19 (MCL 211.150), STC Administrative Rule R 209.41(8).<br><br>Allocation board meets and receives budgets due this day (MCL 211.210). |
| **April 30** | Last day for deferral period for winter (December 1) property tax levies if such deferral for qualified taxpayers was authorized by resolution of the County Board of Commissioners (MCL 211.59). |
| **May 1** | Deadline for filing Homeowner's Principal Residence affidavits (form 2368) for exemption from the 18-mill school operating tax with the local assessor. **Note:** Denial of a Homeowner's Principal Residence exemption by the local assessor may be appealed by the owner to the Small Claims Division of the Michigan Tax Tribunal (MTT) within 35 days after the date of the notice of denial. |
| **May 3 *** | **First Monday in May:** Deadline for filing official County Board of Commissioners report of county equalization (**L-4024**) with STC (MCL 209.5). Appeal from county equalization to MTT must be filed within 30 days after the adoption of the county equalization report by the County Board of Commissioners (MCL 205.735). |
| **May 3 *** | **First Monday in May:** Deadline for assessor to file tabulation of Taxable Valuations for each classification of property with the County Equalization Director on STC form L-4025 to be used in "Headlee" calculations. Taxable Value replaces State Equalized Value for purposes of MCL 211.34d calculations. Prior to 1995, SEVs were used on this form, now Taxable Valuations are required (MCL 211.34d(2)). |
| **May 10** | **Second Monday in May:** Preliminary state equalization valuation recommendations presented by the Property Tax Division staff to the STC (MCL 209.2). |
| **May 15** | Prior to this date, the State must have prepared an annual assessment roll for the state-assessed properties such as telephone companies and railroads, and must have determined the average property tax rate (MCL 207.9). |
| **May 17** | **Third Monday in May:** County allocation boards must issue preliminary order (MCL 211.215). |
| **May 17 *** | **Third Monday in May:** STC form L-4028, pertaining to millage reduction fractions, must be completed by County Equalization Director with all information available within each single county. Copy of STC form L-4028 is filed with the STC and with the director of the equalization department in each county which shares inter-county taxing jurisdictions. |
| **May 24** | **Fourth Monday in May:** State Equalization Proceeding—final state equalization order is issued by STC (MCL 209.4). |
| **May 28** | **Friday after fourth Monday in May:** If, as a result of state equalization, the taxable value of property changes, the assessing officer of each township or city shall revise the millage reduction fractions by this date (MCL 211.34d(2)). |
| May 29 is a Saturday<br>May 30 is a Sunday<br>May 31 is a Holiday<br>**June 1** | Last day for Allocation Board Hearing (not less than 8 days or more than 12 days after issuance of preliminary order) (MCL 211.215). |

* *Requirements of Section 31 of Article IX of State Constitution and of MCL sections 211.34(1) and 211.34d.*

## 2004: SIGNIFICANT 2004 PROPERTY TAX DATES (CONTINUED)

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|---|---|
| **June 7** | **First Monday in June:** Deadline for notifying protesting taxpayer in writing of BOR action (MCL 211.30). |
| **June 7 *** | County Equalization Director calculates current year millage reduction fractions including those for inter-county taxing jurisdictions. The completed, verified STC form L-4028 IC is filed with the County Treasurer and the STC on or before the first Monday in June (MCL 211.34d(3)). |
| **June 14** | Allocation Board must issue final order not later than the second Monday in June (MCL 211.216). |
| **MTT Note:** | Appeal from millage allocation to the MTT must be filed within 30 days after issuance of the final order (MCL 205.735). |
| **June 14 *** | County Treasurer on or before the second Monday in June certifies taxable values from prior year and current year and the current year's additions and losses and the current year's millage reduction fraction for each unit of local government (MCL 211.34d(4)). |
| **June 28** | **Fourth Monday in June:** Deadline for County Equalization Directors to file tabulation of final Taxable Valuations with the STC on STC form L-4046 (1996 PA 476) (MCL 211.27d). |
| **June 30 (MTT)** | Deadline for assessment petition to the MTT (MCL 205.735). Small Claims Division appeal petitions are considered filed if mailed first class and postmarked on or before June 30. Otherwise, appeals sent by certified mail on or before June 30 are timely filed. |
| **June 30** | Deadline for assessment classification appeals to STC as provided by 1996 PA 476 (MCL 211.34c). |
| **June 30** | Deadline for County Equalization Director to file Interim Status Report of the ongoing study for the current year (Administrative Rule R 209.41). |
| **June 30** | Before June 30, Township Supervisor shall prepare and furnish the summer tax roll to the Township Treasurer with Supervisor's collection warrant attached if summer school taxes are to be collected (MCL 380.1612). |
| **July 1** | Taxes due and payable in those jurisdictions authorized to levy a summer tax. (Charter units may have a charter provision with a different due date.) |
| **By the 1st day of each month** | County Treasurer must account for and deliver to the State the State Education Tax collections on hand on or before the 15th of the immediately preceding month (MCL 211.43(10)). |
| **By the 15th day of each month** | County Treasurer must account for and deliver to the State the State Education Tax collections on hand on the last day of the preceding month (MCL 211.43(10)). |
| **July 20** | **Tuesday following the third Monday in July:** Special meeting of the July BOR may be convened by the assessing officer to correct a **mutual mistake of fact or clerical error** (MCL 211.53b). An owner of property that is a "Homeowner's Principal Residence" on December 31 may appeal to the July BOR in the year for which an exemption was claimed or in the immediately succeeding three years **if the exemption was not on the tax roll.** This means that an owner could appeal a 2001, 2002, 2003, and 2004 Homeowner's Principal Residence exemption to the 2004 July BOR if the Homeowner's Principal Residence exemption was not on the tax roll for those years (MCL 211.7cc(20)). See page 2 of STC Bulletin No. 6 of 2003. An owner of property that is Qualified Agricultural Property on December 31 may appeal to the July BOR for the current year and the immediately preceding year if the exemption was not on the tax roll (MCL 211.7ee(6)).<br><br>1995 PA 74 authorizes July (and December) BOR to hear appeals for **poverty exemptions**, but not for poverty exemptions denied by the March BOR. Applies to current year only (MCL 211.7u). See page 12 of STC Bulletin No. 12 of 1997.<br><br>An owner of property may appeal the **rescission of a Homeowner's Principal Residence exemption** to the July or December BOR in either the year for which the exemption is rescinded or in the immediately succeeding year (MCL 211.7cc(16)). See page 4 of STC Bulletin No. 12 of 1997. |
| **August 16** | **Third Monday in August:** Deadline for taxpayer to file appeal directly with the MTT if final equalization multiplier exceeds tentative multiplier and a taxpayer's assessment, as equalized, is in excess of 50% of true cash value (MCL 205.737). |
| **September 15** | Last day for qualified property taxpayer to apply to local unit Treasurer for deferral of payment of summer tax. (See MCL 211.51(7) for further provisions.) |

* *Requirements of Section 31 of Article IX of State Constitution and of MCL sections 211.34(1) and 211.34d.*

## 2004: SIGNIFICANT 2004 PROPERTY TAX DATES (CONTINUED)

| | |
|---|---|
| **September 30** | Clerk of township or city delivers to Supervisor and County Clerk a certified copy of all statements, certificates, and records of vote directing monies to be raised by taxation of property (MCL 211.36). |
| * | Financial officer of each unit of local government computes tax rates in accordance with MCL sections 211.34 and 211.34d and governing body certifies that rates comply with Section 31, Article IX, of the State Constitution of 1963 and MCL section 211.24e, Truth in Taxation, on STC form L-4029 on or before September 30. See page 6, Chapter 1 of Volume III of Michigan Assessor's Manual. |
| **October *** | **October apportionment session of County Board of Commissioners.** Board examines certificates, directs spread of taxes in terms of millage rates to be spread on Taxable Valuations. County Equalization Director submits apportionment report to the STC (MCL 207.12) (MCL 211.37).<br><br>County Prosecutor is obligated by statute to furnish legal advice promptly regarding the apportionment report. A County Board of Commissioners shall not authorize the levy of a tax unless the governing body of the taxing jurisdiction has certified that the requested millage has been reduced, if necessary, in compliance with Section 31 of Article IX of the State Constitution of 1963 and MCL sections 211.34(1) and 211.34d. The County Board of Commissioners also receives certifications that Truth in Taxation hearings have been held if required (MCL 211.24e). |
| **Note:** | Supervisor prepares a roll indicating property taxes to be levied and annexes the required warrant. The copy of the roll with the warrant annexed is known as the "tax roll" (MCL 211.42). |
| **October 15** | The assessor reports status of 1974 PA 198, Industrial Facility Tax property, to STC (MCL 207.567). Qualified local governmental units report to the STC on the status of each exemption granted under the Obsolete Property Rehabilitation Act (2000 PA 146). |
| **December 1** | 2004 taxes due and payable to local unit Treasurer are a lien on real property. Charter cities or villages may provide for a different day (MCL 211.40). See also MCL section 211.40a for exceptions to the lien date. |
| **December 1** | Tax levy reports from assessors to STC are due. County Apportionment Report to STC is due (MCL 207.12). |
| **MTT Note:** | Appeal to MTT of a contested tax bill must be filed within 60 days after the mailing of the tax bill that the taxpayer seeks to contest (MCL 205.735). (Limited to arithmetic errors.) |
| **December 14** | **Tuesday following the second Monday in December:** Special BOR meeting may be convened by assessing officer to correct **a mutual mistake of fact or a clerical error** (MCL 211.53b). An owner of property that is a "Homeowner's Principal Residence" on December 31 may appeal to the December BOR in the year for which an exemption was claimed or in the immediately succeeding three years **if the exemption was not on the tax roll.** This means that an owner could appeal a 2001, 2002, 2003, and 2004 Homeowner's Principal Residence exemption to the 2004 December BOR if the Homeowner's Principal Residence exemption was not on the tax roll for those years (MCL 211.7cc(20). See page 2 of STC Bulletin No. 6 of 2003. An owner of property that is Qualified Agricultural Property on December 31 may appeal to the December BOR for the current year and the immediately preceding year if the exemption was not on the tax roll (MCL 211.7ee(6)).<br><br>1995 PA 74 authorizes the December (and July) BOR to hear appeals for **poverty exemptions**, but not poverty exemptions denied by the March BOR. Applies to current year only (MCL 211.7u). See page 12 of STC Bulletin No. 12 of 1997.<br><br>An owner of property may appeal the **rescission of a Homeowner's Principal Residence exemption** to the July or December BOR in either the year for which the exemption is rescinded or in the immediately succeeding year (MCL 211.7cc(16)). See page 4 of STC Bulletin No. 12 of 1997. |
| **December 31** | The Department of Treasury may appeal the 2004 classification of any assessable property to the Small Claims Division of the MTT not later than December 31, 2004 (MCL 211.34c). |
| **December 31** | Tax day for 2005 property taxes (MCL 211.2). Due date for filing of County Equalization Department studies made during 2004 with the STC. These studies are used for the 2005 revised valuation starting bases. |

* *Requirements of Section 31 of Article IX of State Constitution and of MCL sections 211.34(1) and 211.34d.*

# HOMESTEAD PROPERTY TAX RELIEF

In 1973, the Michigan Legislature enacted the Homestead Property Tax Credit Act. The initial provisions of 1973 PA 20 were subsequently amended and expanded to provide a means for Michigan taxpayers to link property tax to household income in an effort to make the overall tax system more equitable.

Also known as the "circuit breaker," this program has provided nearly $14.8 billion in relief from property taxes to Michigan homeowners and renters since it was implemented 29 years ago. In 2002, for example, nearly 1.3 million eligible Michigan homeowners and renters received credits averaging approximately $461 from this program, for a total of about $570 million in property tax relief.

The homestead property tax credit is a device through which taxpayers can receive a tax credit for an amount of their property tax which exceeds a certain percentage of their household income for that year. This program establishes the following categories under which homeowners or renters are eligible for a homestead property tax credit:

1. Citizens age 65 and older and the surviving spouses of senior citizens. A claimant or spouse must be age 65 by December 31 of the tax year for which they are filing.
2. Paraplegic, hemiplegic, and quadriplegic persons.
3. Deaf and totally and permanently disabled persons who are not over age 65.
4. Eligible veterans, active military personnel, blind persons, and the surviving spouses of veterans.
5. All other homeowners and renters.

Under this program, a credit/refund for property taxes paid is determined by placing homeowners and renters into one of the categories listed above and then relating their property taxes or percent of rent paid to their household income. Individuals must have resided in Michigan for at least six months of the immediately preceding year in which they are applying for a credit.

## GENERAL PROVISIONS

Homeowners and renters who do not qualify for consideration under one of the special categories are granted a credit against their state income tax equal to 60% of the amount by which their property taxes exceed 3.5% of their household income. In lieu of property taxes paid by the homeowner, renters will base their claim on 20% of their yearly rent. If there is no income tax due or if the property tax credit exceeds the income tax, a refund will be made. The credit cannot exceed $1,200.

Since the 1982 tax year, there has been a phaseout of the property tax credit for taxpayers whose household income exceeded a certain amount. Your credit is reduced by 10% for each $1,000 or part of $1,000 by which household income is greater than $73,650. If your household income is $82,650 or more, you are not entitled to a property tax credit.

Persons whose household income consisted totally of Family Independence Program (FIP) assistance or Family Independence Agency (FIA) benefits are not eligible for a property tax credit. For persons who received a part of their income from these programs, their credit will be reduced by the percentage which their total household income was composed of FIP or FIA benefits. This reduction shall not exceed the total of FIP or FIA payments received during that year.

In calculating this credit, individuals must exclude from their total FIP benefits for the year the amount of any child support payments paid to the Friend of the Court which offset or reduced their FIP benefits.

For example, if 60% of your total household income was from FIP benefits less any applicable child support payments and 40% was from wages and child support, your actual credit would be 40% of the property tax credit calculated before proration.

The following is an example of how a regular credit would be figured: Mr. and Mrs. Smith's household income was $15,000. Their property tax was $700. The credit is computed by multiplying the household income ($15,000) by a fixed 3.5%. If the property tax is more than 3.5% of the household income, the excess is multiplied by 60% to determine the credit, as follows:

$15,000 x 3.5% = $525; $700 - $525 = $175 x 60% = credit of $105

**Other examples include:**

| 2003 Household Income | 2003 Property Tax | 3.5% of 2003 Household Income | Excess: Property Tax Minus 3.5% of Income | Amount of Credit or Refund (60% of Excess) |
|---|---|---|---|---|
| $7,500 | $500 | $262.50 | $237.50 | $142.50 |
| $10,000 | $1,000 | $350.00 | $650.00 | $390.00 |
| $20,000 | $1,500 | $700.00 | $800.00 | $480.00 |
| $25,000 | $850 | $875.00 | * | $0* |

* In this example, because the taxpayer's property tax payment for the year was less than 3.5% of household income, the taxpayer is not eligible for a credit.

## SENIOR CITIZENS AND DEAF, DISABLED, PARAPLEGIC, HEMIPLEGIC, OR QUADRIPLEGIC PERSONS

A senior citizen is defined as a person 65 years old or older and, for 2003, a husband and wife are eligible if either has reached the age of 65 on or before December 31, 2003. The definition also includes the unremarried surviving spouse of a person who died after reaching the age of 65. Totally and permanently disabled persons are defined as such by the United States Social Security Administration.

The property tax relief available to low-income persons in this category is much greater than the allowance granted to other taxpayers. If the household income is $3,000 or less, then 100% of the property tax is refundable.

Senior citizens and deaf, disabled, paraplegic, hemiplegic, or quadriplegic persons with household incomes of more than $3,000 receive a credit or a refund for all of their property taxes above the percentage of their household income as shown in the following chart.

| 2003 Household Income | Percentage of Household Income Not Refundable |
|---|---|
| Not over $3,000 | 0% |
| $3,001 - $4,000 | 1.0% |
| $4,001 - $5,000 | 2.0% |
| $5,001 - $6,000 | 3.0% |
| $6,001 and over | 3.5% |

For example: Mr. and Mrs. Jones are senior citizens whose household income was $5,400. They were billed $500 for property taxes. The credit is computed by first multiplying their household income ($5,400) by the percentage not refundable (3%) and then taking the difference between 3% of income and the amount of taxes paid.

$5,400 x 3% = $162; $500 - $162 = credit of $338

**Other examples for senior citizens are:**

| 2003 Household Income | 2003 Property Taxes Paid | Percentage of Household Income Not Refundable | Amount of Tax Which Must Be Paid | Amount of Credit or Refund |
|---|---|---|---|---|
| $3,500 | $500 | 1.0% | $ 35.00 | $465.00 |
| $4,500 | $650 | 2.0% | $ 90.00 | $560.00 |
| $6,500 | $800 | 3.5% | $227.50 | $572.50 |

A senior citizen who rents should substitute 20% of yearly rent for property taxes paid during the 2003 tax year in the above computation. However, senior citizens whose rent is more than 40% of their household income may get a bigger credit using an alternative credit computed by subtracting 40% of their household income from their rent. Disabled persons are not eligible for the alternative computation.

Senior citizens who rent should calculate their credit using both the standard and alternative formulas, and claim the larger credit. However, the maximum property tax credit for all taxpayers cannot exceed $1,200.

## BLIND PERSONS

All blind persons who are homeowners are eligible for property tax credit benefits. If the taxable value of the claimant's homestead is $3,500 or less, then 100% of the property tax is refunded. If the taxable value is more than $3,500, the credit/refund is equal to the percentage relationship between $3,500 and the taxable value. The taxable value appears on your tax bill.

For example: Taxable Value: $10,500 Property Tax Paid: $480

Percent of taxes refundable = 33.33% (.3333) x $480 = credit of $160

Note: If both husband and wife are blind, the allowance is $7,000.

Blind persons also qualify as totally and permanently disabled and may be entitled to a larger credit under that category. Blind persons who rent may claim a credit only under the totally and permanently disabled category. Homeowners who are blind will use Michigan Department of Treasury form MI-1040CR-2 to file for a credit. Renters who are blind will use the form MI-1040CR to file for a credit.

## VETERANS, ACTIVE MILITARY PERSONNEL, OR THE SURVIVING SPOUSE OF A VETERAN

If you are a Michigan homeowner and qualify as active military personnel, a veteran, or the surviving spouse of a deceased veteran under one of the veterans status classifications, you may be eligible for a related homestead property tax credit. Unless you have a service-connected disability or are the surviving spouse of a person with a service-connected disability or of a veteran deceased while in service, your household income may not exceed $7,500.

It is possible that persons qualifying under this category are entitled to a larger credit as a senior citizen, general taxpayer, or as a totally and permanently disabled person. Such claims are based on household income instead of a taxable value allowance. You should calculate your credit under all the categories you qualify for and claim the one providing the largest credit.

**Veterans Status and Value Allowance**

| Filing Status | Percentage of Disability | Taxable Value Allowance |
|---|---|---|
| A. Veteran (or surviving spouse) with service-connected disability | 10% - 50% | $3,500 |
| | 60% - 80% | $4,000 |
| | 90% - 100% | $4,500 |
| B. Veteran of wars before World War I, pensioned veteran or surviving spouse, or active military personnel | | $3,500 |
| C. Surviving spouse of a nondisabled or nonpensioned veteran | | $2,500 |
| D. Surviving spouse of veteran deceased while in service | | $4,500 |

If you are eligible to file form MI-1040CR-2, your tax credit is based upon the taxable value allowance: taxable value ratio which was explained in the section regarding blind property taxpayers.

For example:

You are a veteran with a 10% disability. Your home has a taxable value of $10,500, with property taxes of $525. As a disabled veteran, you have a taxable value allowance of $3,500.

The credit is computed as follows:

Percent of taxes refundable = 33.33% (.3333) x $525 = credit of $175

Eligible military personnel, veterans, and their surviving spouses who rent a homestead are entitled to a credit that is computed in a manner similar to the credit allowed those who own their home. The taxable value of a rented homestead is determined by dividing the taxes in rent (20% of rent paid in the 2003 tax year) by the property tax rate of the homestead being rented. The property tax rate can be determined by contacting your local assessor.

# QUESTIONS AND ANSWERS

## WHAT IS HOUSEHOLD INCOME?

For determining your homestead property tax credit and home heating credit, household income includes all income subject to the federal income tax, plus all other income specifically exempted by the federal income tax law.

The following are the more common forms of income not subject to the federal income tax which must be included in household income for purposes of computing a refund or credit:

- ❑ 1. Social Security and railroad retirement benefits.
- ❑ 2. Veterans pensions and disability payments.
- ❑ 3. Other pensions and annuities.
- ❑ 4. Interest on state and local obligations.
- ❑ 5. Worker's compensation benefits.
- ❑ 6. Cash public assistance and other payments on your behalf (FIP or FIA benefits).
- ❑ 7. Child support payments.
- ❑ 8. Gifts in cash or kind in excess of $300.
- ❑ 9. Sick pay.
- ❑ 10. Scholarship, stipend, grant, or GI bill benefits.
- ❑ 11. Compensation for damages to character or personal injury or sickness.
- ❑ 12. An inheritance, other than an inheritance from your spouse.
- ❑ 13. Proceeds of a life insurance policy paid on the death of the insured, other than a policy on your spouse.
- ❑ 14. Reimbursements from dependent care and/or medical care spending accounts.

Not included are the following:

- ❑ 1. Amounts received from a governmental unit for repair or improvement of your homestead.
- ❑ 2. Surplus foods.
- ❑ 3. Chore service payments (such payments are income to the provider but not to the person receiving the benefits).
- ❑ 4. State and local income tax refunds, including homestead property tax credits (farmland preservation tax credits or refunds must be included in household income).
- ❑ 5. Amounts deducted from Social Security or Railroad Retirement benefits for Medicare premiums.

❑ 6. Health, life, and accident insurance premiums paid by your employer.

❑ 7. The first $300 of income from gambling, bingo, lottery, or prizes and awards.

❑ 8. Energy assistance grants and energy assistance tax credits.

❑ 9. The first $300 in gifts, cash, or expenses paid on your behalf by a family member or friend.

❑ 10. Government payments to a third party, such as your doctor.

❑ 11. Stipends received by a person 60 years of age or older for acting as a foster grandparent or a senior companion.

❑ 12. Loan proceeds.

❑ 13. Inheritance from a spouse.

❑ 14. Life insurance benefits from a spouse.

Taxpayers <u>may reduce household income</u> by subtracting:

❑ 1. Federal adjustments to income, including:
- Educator expenses.
- IRA, SEP, SIMPLE, or Keogh plan deductions.
- Student loan interest deductions.
- Moving expenses into or within Michigan.
- Deductions of self employment tax.
- Self-employment health insurance deductions.
- Tuition and fees.
- Penalties on early withdrawal of savings.
- Alimony paid.
- Medical savings account deductions.

❑ 2. Medical insurance or HMO premiums you paid for yourself and your family (not Medicare), including medical insurance premiums paid through payroll deduction.

## WHAT CONSTITUTES A HOMESTEAD?

The term homestead means the place where you live, whether it is owned or rented, and includes a mobile home or lot in a trailer park. You may have only one homestead at any given time, and you must be the occupant of the property for it to be your homestead. To qualify for a credit, your homestead must be in Michigan. A vacation or income property you own does not qualify as your homestead.

## WHAT KINDS OF PROPERTY TAXES ARE ELIGIBLE FOR CREDIT?

The property taxes you may claim for your 2003 credit are the property taxes on your primary residence for which you were billed in 2003. An administration fee of 1% or less may be included, but not penalties or interest. Special assessments may be included only if they are based on taxable value and either applied to the entire taxing jurisdiction, or are levied for police, fire, or advanced life support in an entire township except for the village portion of a township.

Real property classified as agricultural land for property tax purposes is part of a person's homestead under any of the following conditions:

1. If the gross receipts from the taxpayer's agricultural or horticultural operations are greater than household income, all property taxes on the farmland adjacent and contiguous to the taxpayer's home, including taxes on unoccupied farmland, may be claimed for credit.
2. If gross receipts from the taxpayer's agricultural or horticultural operations are less than household income and the taxpayer has lived in his or her home for more than ten years, the credit for property taxes is available for the property taxes on the home and on land lived on which is adjacent or contiguous to the home. If a taxpayer in this category has not lived on the land for ten years, then only the taxes on the home and five acres of adjacent and contiguous land may be claimed for credit.

Persons living in a mobile home park may claim credit on the $3.00 per month specific tax on trailer lots and 20% of lot rental. Renters of housing subject to local property taxes should use 20% of rent paid in lieu of property taxes in the computation of the credit.

If you are a renter of tax-exempt housing which pays service fees instead of property taxes to the municipality in which you live, you should use 10% of your rent in calculating your property tax credit.

If you are a permanent occupant of a nursing home, foster care home, or home for the aged that is subject to property taxes, you may consider the facility as your homestead. You may use the allocated share of the property taxes levied on the facility as taxes eligible for credit. Your manager should be able to tell you what your allocated share is. If your facility care charges are paid directly to the facility by a government agency, only that portion of the charges paid by you that are equal to or in excess of the allocable share of property taxes may be used in calculating the credit.

Property taxes on a homestead that is bought or sold during the year must be prorated according to the number of days occupied, regardless of any agreement entered into by the parties involved as to who shall pay the taxes. For example: if the 2003 taxes on the home you sold on June 30 amounted to $600 for the entire year, you may use $300 as taxes eligible for credit.

## HOW TO APPLY FOR A REFUND

Tax refunds can be obtained by filing the tax credit claim form MI-1040CR for general claimants, senior citizens, totally and permanently disabled persons, and for persons who are either paraplegic, hemiplegic, or quadriplegic. Please remember to include information concerning the taxable value of your homestead on the proper line of your tax form to help assure the prompt processing of your claim. Active military personnel, eligible veterans or their surviving spouses, and blind persons file form MI-1040CR-2 if it gives them a bigger credit than from form MI-1040CR. All individuals claiming a refund should file their claim with their Michigan income tax return. Your 2003 Michigan income tax return must be filed by April 15, 2004.

The period for amending your claim for homestead property tax credit is four years from the date set for filing the original claim. If you do not have to file a Michigan income tax return, but are eligible for property tax relief, you should file your claim as soon as you know the amount of your 2003 homestead property taxes and household income. The Michigan Department of Treasury will send you the refund to which you are entitled.

If you have any questions about the homestead property tax relief program or about completing any state income tax forms, see the "Michigan Tele-Help System" section discussed on the inside back cover of this booklet.

# FARMLAND AND OPEN SPACE TAX RELIEF

In 1974, the Michigan Legislature passed and the Governor signed into law 1974 PA 116—the Farmland and Open Space Preservation Act—to alleviate the rapid and often premature conversion of land, uniquely suited for agriculture and open space, to more intensive uses. This law, which is now Part 361 of the Natural Resources and Environmental Protection Act, enables a landowner to voluntarily enter into a developmental rights agreement or a developmental rights easement with the state.

These agreements or easements, which are legally recorded documents, ensure that enrolled lands remain in a particular use (active farmland or certain open space lands are eligible) for an agreed upon period of time. Initial development rights agreements or easements are subject to a term of not less than ten years, however, those entered into after June 5, 1996 may have a term of up to 90 years. In return for maintaining the land in a particular use, the landowner is entitled to certain tax benefits. Legislation enacted in 1995 (Public Act 59 as subsequently amended), however, permits the withdrawal of all or a portion of the property subject to a development rights agreement under certain circumstances on payment of that portion of the credit.

The tax benefits afforded to landowners participating under this program were tempered somewhat in recent years by the tax benefits associated with 1994 Proposal A. In 2001, however, these benefits were significantly increased. Under 2000 PA 421, benefits fall into the following three categories:

1. Lands that qualify and are approved under the farmland or open space provisions of the law are exempt from special assessments for sanitary sewers, water, lights, or nonfarm drainage, except for years before 1995 as to a dwelling or nonfarm structure located on the land, unless the assessments were imposed before enrollment in the program;
2. Under a farmland development rights agreement, the landowner is entitled to claim as a credit against state income tax liability the amount by which the farmland property taxes on land and structures restricted by such agreements exceed 3.5% of household income. This credit is in addition to a homestead property tax credit which the landowner may claim on the state income tax return; and
3. For those lands under an open space easement, development rights held by the state or local governing body are exempt from ad valorem taxes.

To be eligible, the agricultural land must be actively farmed and must generally meet one of the following qualifications: be 40 acres in size or larger; or five to 40 acres in size with a minimum per acre gross income of $200 per year; or a Department of Agriculture designated "specialty farm" with a minimum gross annual income of $2,000. At least 51% of the land must be primarily devoted to an agricultural use, except for specialty farms.

Open space land is divided into two categories, but in both cases the land must be undeveloped. The first category involves historic, riverfront, or shoreland areas and requires that, to be eligible, the land must meet one of the following criteria: be registered as an historic site by appropriate state or federal action; or be lands adjacent to a state-designated natural river under Part 305 of the Natural Resources and Environmental Protection Act; or be designated as an environmental area under Part 323 of the Natural Resources and Environmental Protection Act.

The second category of open space land is more general and is meant to provide a tool for local units of government to protect local open space lands. Requirements for eligibility include that the land conserve natural or scenic resources; enhance recreational opportunities; preserve historic sites; or preserve idle potential farmland of not less than 40 acres in size. The idle potential farmland class is the only one under the open space categories which has an acreage requirement.

Landowners eligible to apply for a farmland preservation tax credit and who are required to file a Michigan income tax return must complete and attach Michigan Department of Treasury form MI-1040CR-5 to their state income tax returns. Individuals applying for this credit must include with their application a copy of a receipt showing payment of property taxes for the year for which the credit is being claimed or the prior year. If a copy of the receipt is not included, the Michigan Department of Treasury will issue the check made out to the claimant and the county treasurer in the county in which the claimant's property is located. The money will first be used for payment of the taxpayer's property taxes, interest, penalties, and tax administration fees. Any money remaining will be returned to the claimant.

A law passed in 1988 (1988 PA 423) provides that, beginning with the 1984 tax year, certain taxpayers who were partners in partnerships, shareholders in S corporations, holders of property under a life lease, or owners of a trust can claim the Farmland Preservation Credit. Moreover, pursuant to 1996 PA 233, members of limited liability companies are also eligible for the credit. Under the provisions of 1991 PA 89, shareholders in S corporations are permitted to claim a farmland and open space credit under the single business tax. Previously, shareholders were required to file for the credit under the state income tax. The Department of Treasury is allowed to require individuals applying for the credit to furnish the department with a copy of a tax return and supporting schedules filed under the IRS code.

Like the homestead property tax credit, this tax credit is based on household income. The property taxes you may claim for your 2003 credit are those taxes billed for 2002. Approximately $30 million was paid in 2002 to about 9,500 eligible taxpayers. Those who are eligible for this tax credit should receive copies of the MI-1040CR-5 form in the mail from the Michigan Department of Treasury.

For further information on the farmland preservation tax credit, you should contact:

Michigan Department of Treasury
Farmland Preservation Unit
P.O. Box 30058
Lansing, MI 48909
1-800-487-7000

General questions about the Farmland and Open Space Preservation Act should be addressed to:

Michigan Department of Agriculture
Environmental Stewardship Division
Farmland and Open Space Unit
P.O. Box 30449
Lansing, MI 48909
(517) 373-3328

# MICHIGAN INCOME TAX

The Michigan individual income tax was first adopted in 1967. It is a direct flat-rate tax on the federal adjusted gross income of individuals, estates, and trusts. Interest income from obligations or securities of states and their political subdivisions other than Michigan is also subject to the state income tax. Adjustments are made with respect to estate or trust income. The Michigan income tax rate for 2003 is 4.0%. The rate was reduced from 4.6% to 4.4% effective May 1, 1994. Legislation enacted in 1999 (1999 PAs 2, 3, 6, 4, and 5, respectively) as amended by 2000 PA 40, lowered the state income tax rate to 4.2% for the 2000 and 2001 tax years, 4.1% for the 2002 tax year, 4.0% for the 2003 tax year, and 3.9% for the tax year period beginning July 1, 2004 and beyond.

Although Social Security benefits of individuals at certain income levels are taxable by the federal government, Michigan taxpayers can deduct from adjusted gross income the amount of any Social Security benefits received for the year which are included in federal adjusted gross income.

## DIRECT DEPOSIT OF REFUND

Most taxpayers have the option of having their income tax refund deposited directly into their bank accounts. To have your refund deposited directly into the U.S. financial institution of your choice, complete the direct deposit portion of your MI-1040, MI-1040CR, MI-1040CR-2, or MI-1040CR-9. You may also attach a Direct Deposit of Refund form 3174 to your MI-1040 tax form. Do not request direct deposit if you are filing a home heating credit claim from which an energy draft will be issued.

Some taxpayers may not be eligible for direct deposit. If for some reason the Department of Treasury cannot deposit your refund directly, they will send you a check. When requesting direct deposit, be sure that your financial institution will accept direct deposit, that the name(s) on the return match the name(s) on the bank account, and that your account number and routing transit number are correct.

## STATE INCOME TAX DEDUCTIONS

Taxpayers are allowed to subtract from adjusted gross income a number of deductions. These include $3,100 for each personal and dependency exemption. A taxpayer who is age 65 or older is allowed an additional exemption of $1,900. A $1,900 special exemption is also available for a taxpayer who is deaf, paraplegic, quadriplegic, hemiplegic, totally and permanently disabled, or blind. A taxpayer may claim the special exemptions for dependents who qualify for the exemption. A taxpayer whose state income tax return includes unemployment compensation that amounts to 50% or more of adjusted gross income is also allowed an additional $1,900 exemption. If you claim the 65 or older exemption, you may NOT claim an exemption as totally and permanently disabled.

Any persons eligible to be claimed as a dependent on someone else's tax return and whose adjusted gross income is more than $1,500 ($3,000 if filing jointly), may claim a $1,500 ($3,000 if married and each can be claimed as dependents, or $4,600 if only one can be claimed as a dependent) personal exemption on their own return. This applies whether or not the other person claims the dependent exemption. If a dependent's income is $1,500 or less ($3,000 if filing jointly), that person need not file a return unless claiming a refund of withholding. The Child Care Act of 1997 created a new child deduction for the 1998 tax year and beyond. The child deduction was revised for the 2000 tax year and beyond. Taxpayers with dependents 18 years of age or younger on December 31, 2003 may deduct $600 per child.

Interest income from federal government obligations and all pension benefits received from a Michigan or U.S. government public retirement system may also be subtracted from gross income.

Pension or retirement benefits from a private pension are deductible to a maximum of $37,710 ($75,420 on a joint return). These figures are adjusted annually by the U.S. Consumer Price Index. The amount of this deduction is reduced by the amount of any public or military pension benefits deducted.

The deduction for the dividend, interest, and capital gain income of senior citizens has increased. For the 2003 tax year, this deduction has been increased to $8,408 ($16,815 on a joint return). The maximum amount of this deduction is reduced by the amount of a deduction taken for retirement or pension benefits. This deduction is adjusted annually by the U.S. Consumer Price Index.

In addition, deductions may be taken for armed forces compensation, income from an out-of-state business or rental income from out-of-state property, any refund of state or city income tax that is included as income on federal Income Tax Form 1040, and political contributions up to a maximum of $50 per year for an individual or $100 per year on a joint return.

Michigan taxpayers who bought a Michigan Education Trust contract are entitled to deduct the full amount of the contract from their income in the year of purchase. If a loan was taken out to purchase the contract, a deduction can still be made for the full amount paid for the contract, but not for any interest paid on the loan. A taxpayer may also claim a deduction for contributions made to an education savings account established under the Michigan Education Savings Program (MESP). The deduction for annual contributions is limited to $5,000 ($10,000 on a joint return).

Qualified taxpayers who are residents in a renaissance zone may also deduct income earned or received while residents of a Michigan renaissance zone. If you are a resident in a renaissance zone for at least 183 consecutive days and meet other qualifications, you may be exempt from paying the state income tax, property taxes (except debt and sinking fund mills), and various other Michigan taxes. A deduction is also available for money and interest resulting from a settlement of claims for Holocaust victims. The deduction is retroactive to the 1994 tax year.

2000 PA 400 created a new income tax deduction for charitable contributions made from distributions from pensions or IRAs. The act sets the deduction at the amount deductible on the taxpayer's federal return, minus both the amount of the state deduction for retirement or pension benefits and two times the amount of the state public contribution, homeless shelter/food bank, and community foundation credits claimed by the taxpayer. To qualify, payment to the charity must occur within 60 days of receiving the distribution.

## STATE INCOME TAX CREDITS

In addition to the homestead property tax credit program (discussed on page 15) and the farmland and open space preservation tax credit (discussed on page 22), Michigan taxpayers are allowed many different types of credits against their personal income tax liability, chief of which is the home heating credit. A specific section that follows will be devoted to the home heating credit.

Other types of credits against personal income tax liability include allowances for income taxes paid to other states (except reciprocal states), political subdivisions of other states, the District of Columbia, Canadian provinces, or Michigan cities.

The Canadian provincial credit is allowed only for that portion of the provincial tax not claimed on the individual's United States income tax return. In determining this credit, you may not use any Canadian provincial tax carried forward from previous years.

If you pay a city income tax in Michigan, you may claim a portion of the tax as a credit against your state income tax liability. The city income tax credit is computed as follows:

**The City Income Tax Credit Computation**

| Tax Paid | Credit |
|---|---|
| $100 or less | 20% of the city income taxes paid |
| $101 - $150 | $20.00 plus 10% of the excess over $100.00 |
| $151 or more | $25.00 plus 5% of the excess over $150.00 |

The total credit cannot be more than $10,000.00

Michigan taxpayers are permitted a public contribution credit for gifts of money or artwork created by the taxpayer if given to Michigan colleges and universities and their fund-raising organizations, the Michigan Colleges Foundation, the State Art in Public Places Fund, the State of Michigan Museum, public libraries, or public broadcasting stations. A taxpayer may also claim a credit for gifts of money or any artwork to a Michigan municipality or a nonprofit corporation affiliated with a Michigan municipality and an art institute in that municipality to benefit an art institute. Artwork created by the taxpayer qualifies for credit if given to the state of Michigan or a Michigan municipality for public display. Finally, gifts of money or artwork created by the taxpayer qualify for credit if given to the state of Michigan for the preservation of state archives. The amount of the credit permitted for a public contribution is 50% of the contribution up to $100 ($200 on a joint return).

Michigan taxpayers are eligible for a nonrefundable historic preservation tax credit. The credit is available for owners or long-term lessees of qualified historic resources and is equal to up to 25% of certain expenses incurred in the rehabilitation of the qualified historic resource. To be eligible, the rehabilitation project must be certified by the State Historic Preservation Office.

The community foundations tax credit covers contributions made during the tax year to endowment funds of certified community foundations. The nonrefundable credit is limited to 50% of the total charitable contributions up to $100 ($200 on a joint return). A list of certified foundations is included in the income tax booklet and on page 39 in this booklet. You must enter the proper code to receive your credit.

An additional credit is available for cash contributions to shelters for homeless persons, food kitchens, food banks, or other entities whose primary purpose is to provide overnight accommodation, food, or meals to persons who are indigent. This nonrefundable homeless credit is 50% of the cash contributed by the taxpayer not to exceed $100 for a taxpayer filing singly or $200 for a husband and wife filing a joint return.

To be eligible, the contribution must be in cash (U.S. currency, personal check, money order, or credit card); it must be made to an organization located in Michigan whose primary purpose is the delivery of food, meals, or shelter to indigent persons; and the contribution must be tax deductible for the donor under the federal Internal Revenue Code.

The public contribution credit, community foundation credit, and the homeless credit are computed separately. A taxpayer filing singly who contributes $200 to a public broadcast system, $200 to a certified community foundation, and $200 to an eligible shelter, for example, may claim a $100 public contributions credit, a $100 community foundation credit, and a $100 homeless credit on his or her income tax return.

1995 PA 7 created a nonrefundable credit for uniformly required fees and tuition paid to a "qualified" state institution of higher learning. To be eligible, the claimant must have an adjusted gross income of $200,000 or less and be a resident of the state. The amount of credit is limited to 8% of undergraduate tuition and fees paid up to $375 per student per year. The credit is limited to four tax years for each student. To be qualified, an institution of higher learning must, among other factors, pledge to keep the increase in its tuition rates to not more than the annual percentage increase in the U.S. Consumer Price Index. The credit is not available to students attending an institution providing programs solely for sectarian instruction or religious worship. The following colleges and universities have been certified as institutions for which the 2003 credit is available:

**2003 MICHIGAN COLLEGE AND UNIVERSITY CODE LIST**

*Approved colleges and universities are listed alphabetically with code numbers to the left of the name.*

| | | | |
|---|---|---|---|
| 0505 | Bay Mills Community College | 0624 | St. Clair County Community College |
| 0341 | Lewis College of Business | 0636 | Wayne County Community College |
| 0612 | Oakland Community College | 0425 | William Tyndale College |

In addition to the preceding section on the homestead property tax credit program, the individual section on home heating credits which follows has been singled out for particular attention because of its importance to state taxpayers. The largest of these credits, however, is the homestead property tax credit, a system of refunds and credits for local property taxes under which approximately $578 million was returned in 2002 to Michigan citizens whose property taxes or rent took up a large proportion of their household income. The home heating credit was added in 1978, paying out approximately $61.6 million to low-income families and to senior citizens in 2002.

The home heating credit program is designed to provide assistance to people in relation to their ability to meet their own property taxes and home heating costs. The measurement of that ability is called "household income."

Household income, which is discussed on page 19 of this booklet, includes almost all income available to the household for the year. In addition to earned income, it includes such things as Social Security and pension benefits, unemployment compensation, and cash public assistance. A further description of individual credit programs will follow.

In 2000, Public Act 394 created a new income tax credit for eligible adoption expenses. Taxpayers may now claim a credit for qualified adoption expenses in excess of the federal credit or $1,200, whichever is less.

## CHILDREN'S TRUST FUND

In years past, an individual entitled to a state income tax refund could designate a donation to the Children's Trust Fund, to be used for efforts to prevent child abuse and neglect.

Although the checkoff program is no longer on the income tax form, any taxpayer may purchase a Children's Trust Fund specialty license plate or make a contribution of any amount to this fund. Make a donation by credit card or check to: The Children's Trust Fund, P.O. Box 30037, Lansing, MI 48909.

## NONGAME WILDLIFE FUND

1983 PA 189 initiated an income tax check-off program allowing taxpayers to designate any amount to be credited to the State of Michigan Nongame Fish and Wildlife Fund.

Although the check-off program is no longer on the income tax form, a taxpayer may purchase a wildlife habitat specialty license plate, or continue to make a contribution of any amount to this fund to help support the research and management of nongame wildlife. You may make a direct contribution with a check payable to the State of Michigan—Nongame Wildlife Fund. The address for contributions is Cashier's Office, Michigan Department of Natural Resources, P.O. Box 30451, Lansing, MI 48909-7951.

## HOME HEATING CREDITS

In 1978, the Michigan Legislature enacted a one-year program to help individuals meet some of the rising costs for heating their homes. The Home Heating Assistance Program was extended by 1979 PA 126 for the 1979 and 1980 tax years and by 1981 PA 152 for tax years 1981 through 1983.

Since 1984, this program has been extended and modified on several occasions, most recently by 2001 PA 169. This law extended the credit indefinitely, contingent on federal low-income home heating energy assistance. This program gives low-income persons the opportunity to claim a credit against their state income tax for part of their home heating costs. In 2002, approximately $61.6 million in tax credits were claimed by 315,200 low-income families, for an average credit of about $195.44.

People who live in a nursing home, an adult foster care home, a home for the aged, or a substance abuse center are not eligible for this tax credit. You also are not eligible if you are a full-time student and are claimed as a dependent by another.

There are two methods available for computing a home heating credit: the standard method and, for individuals with very low incomes and high heating costs, an alternative formula. In calculating your credit using the standard method, the amount of the home heating tax credit is determined by first figuring the amount of your household income and the number of exemptions you can claim. Then, use the following table to find the standard allowance (the maximum credit permitted) for your total exemptions claimed. The figure on the right of the table (income ceiling) shows the maximum income which can be earned to be eligible for the credit.

**Standard Allowances**

| Your Exemptions | Standard Allowance | 2003 Income Ceiling |
|---|---|---|
| 0 or 1 | $347 | $ 9,914 |
| 2 | $468 | $13,371 |
| 3 | $589 | $16,829 |
| 4 | $709 | $20,257 |
| 5 | $830 | $23,714 |
| 6 or more | $951 | $27,171 |
| | + $121 for each exemption over 6 | + $3,454 for each exemption over 6 |

Across from your number of exemptions is your standard allowance. Your credit is your standard allowance minus 3.5% of your household income. The home heating credit is funded by a block grant from the federal government. In order to limit credits to the available amount of federal funding, 2003 credits will be multiplied by a proration factor of 80%. A claimant whose heating costs are included in his/her rent, should multiply the result of the preceding calculation by 50%. You will not get a credit if your household income exceeds the amount in the income ceiling column on the right of the table.

**SAMPLE COMPUTATION**

John and Mary Smith had a household income of $9,200. They had two children and were entitled to four exemptions.

| | |
|---|---|
| Standard Allowance | $709.00 |
| Less: 3.5% of household income (.035 x $9,200) | – $322.00 |
| Home Heating Credit Subtotal | $387.00 |
| Proration Factor | x .80 |
| Home Heating Credit | $309.60 |

## ALTERNATIVE CREDIT

To determine if you qualify for the alternative credit formula, look at the table below and see if your household income exceeds the maximum specified on the right for the number of exemptions you are eligible to claim:

| Your Exemptions | Maximum Income |
|---|---|
| 0 or 1 | $11,211 |
| 2 | $15,088 |
| 3 or more | $15,340 |

To compute the alternative credit, you must determine your total heating costs for the 12 consecutive monthly billing periods ending during October of the tax year (November 2002 to October 2003). Then you reduce your total heating cost (maximum allowed in 2003 is $1,687.00) by 11% of your household income. Your home heating credit will be 70% of this amount. 2003 credits will be multiplied by a factor of 80%. If your claim is for less than 12 months or your heating costs are currently included in your rent, you cannot claim an alternative credit.

**SAMPLE COMPUTATION**

Bill and Helen Smith had household income of $7,500 and were entitled to three exemptions. Their total heating cost was $1,500.

| | |
|---|---|
| Fuel cost | $1,500.00 |
| Less 11% of household income (.11 x $7,500) | – $ 825.00 |
| Balance | $ 675.00 |
| Multiply by 70% | x .70 |
| Home Heating Credit Subtotal | $ 472.50 |
| Proration Factor | x .80 |
| Home Heating Credit | $ 378.00 |

Even if you qualify for the alternative credit, you should also calculate your credit using the standard method and claim the larger credit.

## HOW TO APPLY

You must claim a Home Heating Credit on form MI-1040CR-7. To receive your 2003 credit, claims must be filed by September 30, 2004. If your claim is approved, the Michigan Department of Treasury will send you an energy draft in the amount of your credit. The energy draft is negotiable through your enrolled heating fuel provider. For a claimant for whom, at the time of filing, the Family Independence Agency (FIA) is making direct vendor payments to an enrolled heating fuel provider, the department will send the energy draft directly to the claimant's enrolled heating provider, as identified by the claimant. Detailed information will be provided with your draft. If your energy draft is for more than you owe your energy provider, you can request a refund of the overpayment by checking the box on the draft. Your energy provider must send you a refund within 14 days. Enrolled heating providers who fail to issue payment within 14 days must pay interest on the amount due the claimant.

If you rent, you are still eligible for this credit. However, if your heating costs are included in your rent payment, your credit is reduced by 50%, and the Michigan Department of Treasury will send you a check in the amount of your reduced credit instead of an energy draft.

Any claimant who can prove to the Department of Treasury that an energy draft is not practical because the person has already purchased the necessary energy supply for the year and has no outstanding obligations to an enrolled heating fuel provider, may return the energy draft to the department in exchange for a check. Moreover, any person claiming a credit who is no longer a resident of Michigan, or who is not a customer of an enrolled heating fuel provider, or whose heating fuel provider refuses to accept an energy draft, may return the draft to the Department of Treasury in exchange for a check.

Pursuant to 2001 PA 169, no portion of the credit may be attached, garnished, or otherwise applied to any liability, arrearage, or other debt of the claimant. This would include liability for Michigan taxes, support payments, garnishment, IRS levies, and employment security repayments, among others.

# SINGLE BUSINESS TAX

The Single Business Tax, established by 1975 PA 228, became effective January 1, 1976 and replaced a host of other business taxes, including a corporate income tax, a corporate franchise tax, and local property taxes on business inventories. It was a major change in Michigan's tax policy and substantially altered the taxation of businesses in Michigan.

The Michigan Legislature examined the tax after one year and decided that tax relief was both desirable and necessary for small, low-profit businesses. However, the Legislature also decided that the SBT has a desirable characteristic in that state revenues do not fluctuate to the extent revenue fluctuated under the corporate income tax and, moreover, it does not discriminate on the basis of business organization. In recent years, the Legislature has provided tax relief through a number of significant modifications to the act.

These modifications, however, never completely quelled a number of negative characterizations of the tax and the Michigan Legislature, pursuant to 1999 PA 115, decided to completely phase out the tax by reducing its rate one-tenth of a percentage point each year that the state's "rainy day" fund year end balance remains above $250 million. Under this timetable, the SBT rate would have reached zero by as early as 2021. For the 2003 tax year, the rate will remain at 1.9% because the "rainy day" fund is below $250 million. Under 2002 PA 531, the timetable has been advanced to repeal the act after 2009. In addition, the filing threshold has been raised to $350,000 for the 2003 tax year and beyond.

The passage of 1999 PA 115 and 2002 PA 531 culminated a long effort to reform the tax. Indeed, in recent years, pursuant to 1994 PA 247, the Single Business Tax rate was lowered from 2.35% to 2.3%, effective October 1, 1994. Under the provisions of 1994 PA 245, the alternate rate under the small business credit was reduced from 3% to 2%, effective October 1, 1994. For tax years beginning after December 31, 1994, 1995 PAs 1 and 6 eliminated, respectively, an employer's FICA contributions (Social Security and Medicare) and an employer's workers' compensation and state and federal unemployment compensation fund contributions from the SBT tax base. Similar legislation enacted in 2003 (2003 PA 240) removed certain percentages of a business entity's Michigan-based health care costs from the definition of compensation. The act exempts 5 percent of the payment in the tax year that begins after December 31, 2003, 20 percent of the payment in the tax year that begins after December 31, 2004, and 40 percent of the payment in the tax year that begins after December 31, 2005. A companion measure (2003 PA 241) allows an exclusion of 50 percent of these health care costs for the tax year beginning after December 31, 2006 and beyond.

Under the provisions of 1994 PA 246, the thresholds for filing were also revised. For entities under common control, the filing threshold is now based on the group's total adjusted gross receipts, not the receipts of each member. Pursuant to 1995 PA 80, those members of controlled groups whose adjusted gross receipts are less than $100,000 are not required to file or pay the tax. Therefore, if the group's combined adjusted gross receipts exceed the filing threshold, all members with adjusted gross receipts over $100,000 must file a return. Adjusted gross receipts are apportioned gross receipts plus recapture of the capital acquisition deduction.

For tax years beginning after December 31, 2002, the threshold for filing has increased to $350,000. In anticipation of the effects of raising the adjusted gross receipts threshold, the department developed a new abbreviated instruction booklet containing a "Notice of No Return Required" (form C-8030) and an "SBT Simplified Return" (form C-8044). The form C-8030 may allow you to make your SBT account inactive, and form C-8044 permits those with adjusted gross receipts less than $350,000 to claim a refund of payments made even if they do not meet the form's qualifying criteria. If your adjusted gross receipts are over $350,000 and you have no tax liability, you cannot file form C-8030 as in the past. You must file an annual return. A taxpayer would file as follows:

| Tax Year | Adjusted Gross Receipts Filing Threshold |
|---|---|
| Beginning before 1/1/91 | $ 40,000 |
| Beginning after 12/31/90 and before 1/1/92 | 60,000 |
| Beginning after 12/31/91 and before 1/1/94 | 100,000 |
| Beginning after 12/31/93 and before 1/1/95 | 137,500 |
| Beginning after 12/31/94 | 250,000 |
| Beginning after 12/31/02 | 350,000 |

Finally, an alternate single business tax return developed in 1994 permits taxpayers to calculate the alternate tax only, while still taking their unincorporated credit.

## KEY FEATURES OF THE SBT

The major provisions of the Single Business Tax are:

1. The SBT is a value-added type of tax. The tax is levied on the sum of total compensation, net income (loss), depreciation, and interest paid minus a number of favorable exemptions and deductions. As such, it is a tax on the economic size of the firm; it is not a tax solely on income apportioned or allocated to this state. The Single Business Tax (SBT) is a tax on payroll and profits, and thus is incurred whether or not a business is profitable.
2. The Michigan investment tax credit (ITC) replaced the capital acquisition deduction beginning with the 2000 tax year. The amount of the credit will be calculated by multiplying net capital investments made in Michigan by the applicable ITC rate and multiplying that result by a percentage determined by dividing the applicable tax rate by 2.3%. The ITC rate is based on a firm's adjusted gross receipts (AGR). If AGR are $1 million or less, the ITC rate is 2.3%; if AGR are $1 million - $2.5 million, the ITC rate is 1.5%; if AGR are $2.5 million - $5 million, the ITC rate is 1.0%; and if AGR are over $5 million, the ITC rate is 0.85%. The investment tax credit will be reduced by reductions in the adjusted tax base taken for compensation in excess of 63% of the tax base and will not be available if a gross receipts reduction is taken by the taxpayer.
3. The excess compensation deduction cuts the SBT by up to 37% for labor-intensive firms. The provision allows a firm to reduce its adjusted tax base by the percentage that labor costs exceed 63% of the tax base.
4. The gross receipts "short method" allows all firms to compute their tax based on 50% of gross receipts.
5. The statutory exemption allows firms with combined business income and shareholders' compensation of less than $67,500 to deduct up to $45,000 or more, if eligible, from their tax base.
6. Other major features of the tax include a small business credit and an additional credit for unincorporated businesses. The small business credit allows a firm with no more than $10,000,000 in gross receipts, $475,000 in adjusted business income, and $95,000 in profits and compensation to owners, partners, officers, and/or shareholders to reduce its tax liability by up to 100%. For the

1998 tax year and beyond, partial small business tax credits are also available for businesses that have an individual, partner, or shareholder with profit or compensation between $95,000 and $115,000. The small business credit converts the SBT to an earnings tax for most firms that qualify, tying the tax to their earnings (including owner's compensation). For firms claiming the credit, the SBT averages less than 2% of adjusted business income. However, all firms must compute actual tax base to claim the standard small business credit. An additional credit is also allowed for unincorporated businesses, depending on the amount of their net business income. In 1986, a credit was established which is equal to 50% of a person's certified investments in minority venture capital companies and minority enterprise small business investment companies certified under the Michigan Strategic Fund Act (1984 PA 270). In 1995, a new act created a credit for eligible businesses creating new jobs in Michigan. Under 1995 PA 23, businesses certified by the Michigan Economic Growth Authority (MEGA) may claim a credit for SBT attributable to a new or expanded facility and a refundable credit of 4.4% of wages attributable to qualified new jobs created in Michigan. This credit would be available for up to 20 years. 1999 PA 100 extended the initial eligibility period for MEGA certification to December 31, 2003. Legislation enacted in 2003 (2003 PA 249) extended the eligibility through December 31, 2009. In addition, 1996 PA 382 created a credit of up to 10% of the cost of eligible investment in a brownfield zone, 1996 PA 593 added an apprentice credit, and 1996 PA 441 established a credit for business activity conducted in a renaissance zone, all beginning in 1997. Businesses may also be eligible for certain other credits, including the public contributions credit, the historic preservation tax credit, the community foundation credit, and the homeless credit.

7. In 1987, the Michigan Legislature enacted an alternative tax for small businesses. Any firms eligible to claim a small business credit that wish to may now figure their SBT by multiplying their adjusted business income by 2%. Businesses that select this method may not claim a standard small business credit.

8. Firms with adjusted gross receipts under $350,000 for the 2003 tax year and beyond, do not have to pay a tax or file a return. Adjusted gross receipts are the sum of apportioned gross receipts and recapture of a capital acquisition deduction. As amended by 2000 PA 477 and 2002 PA 606, "gross receipts" are defined as the entire amount received from any activity whether in intrastate, interstate, or foreign commerce carried out for direct or indirect gain, benefit, or advantage to the taxpayer or to others, with certain exceptions.

## TAX CALCULATION

The Single Business Tax is calculated by taking the tax base (compensation, net income (loss), depreciation, interest paid, and taxes on income) and subtracting purchases of depreciable property, the statutory exemption (up to $45,000 plus $12,000 per partner for up to four partners), and excess compensation deduction or gross receipts reduction to arrive at the taxable base.

The tax liability is then determined by multiplying the taxable base by the applicable tax rate. For 2003, the rate is 1.9%. If a business qualifies, it may claim the small business credit. The amount of the credit is equal to the tax liability times the percentage calculated by first dividing adjusted business income (net income (loss) plus payments to officers and shareholders) by 45% of the tax base, and then subtracting the result from one. The alternative tax computation lets you pay a tax of 2% of your adjusted business income. You should figure your tax using both the alternate and the standard method and select the one that gives you the lower tax after credit. Businesses taxable in another state multiply their tax base by an apportionment factor.

## SAMPLE SBT CALCULATION

The following example shows a sample tax computation of a 100% Michigan sole proprietorship:

| | | |
|---|---|---|
| Net Income (loss) | | $ 55,000 |
| Compensation | | 925,000 |
| Net Interest | | 12,000 |
| Depreciation | | 17,500 |
| Tax Base | | $1,009,500 |
| Statutory Exemption | | – 25,000 |
| Adjusted Tax Base | | 984,500 |
| Deduction for Excess Compensation | | – 281,858 |
| Taxable Base | | 702,642 |
| Tax Rate | | .019 |
| Tax | | $ 13,350 |
| Investment Tax Credit | | – 150 |
| | | $ 13,200 |
| Small Business Credit | (– 88%) | – 11,616 |
| Net Tax Liability | | $ 1,584 |

*NOTE: The alternate tax computation may result in a lower net tax liability.*

# NEW STATE TAX LAWS

## INCOME TAX

**2003 PA 21—**The act amended the Income Tax Act of 1967 to provide that nonresidents' casino or horse racing winnings are subject to the Michigan income tax.

**2003 PA 22—**The act amended the state income tax act's withholding requirements so they would apply to a share of business income available for distribution by flow-through entities and to reportable winnings or payoff prizes of casino or race track licensees. The act was part of a package whose implementation legislation included 2003 PAs 45-51.

**2003 PA 28—**The act amended the Income Tax Act of 1967 to provide that township police, advanced life support, and fire special assessments, levied on SEV or taxable value on all real property in a township outside of a village, are eligible for the homestead property tax credit, just as millage-based special assessments levied unitwide on SEV or taxable value of all real property in a city, village, or township are eligible.

**2003 PA 29—**The act complemented 2003 PA 28 by clarifying the eligibility of special assessments for the homestead property tax credit for years before the 2003 tax year. Special assessments levied by an entire city, village, or township using a uniform millage rate would be eligible.

**2003 PA 45—**The act amended section 12 of the Income Tax Act of 1967 to define a "flow-through entity." The act was tie-barred to 2003 PA 22.

**2003 PA 52—**The act amended the Income Tax Act of 1967 to expand the definition of "business income," to include, in part, all income from tangible and intangible property, gains or losses from stock or securities, income from isolated sales, and/or income derived from a sale of a business.

**2003 PA 239—**The act amended the Income Tax Act of 1967 to delay, from January 1, 2004 to July 1, 2004, the reduction in the income tax rate from 4.0 percent to 3.9 percent.

**2003 PA 295—**The act amended the Income Tax Act of 1967 to create a new refundable credit for venture capital investment, beginning in the 2010 tax year. The credit will be equal to the difference, if any, between the amount of venture capital investment repayments and the amount set by the Michigan Early Stage Venture Investment Corporation as the repayment due. This income tax credit may only be claimed if the taxpayer cannot claim a venture capital investment-related SBT credit.

## SALES AND USE TAX

**2003 PA 24—**The act amended the Use Tax Act to establish the use tax liability of members, managers, or partners of certain business entities at dissolution. The act applies to limited liability companies, limited liability partnerships, partnerships, and limited partnerships.

**2003 PA 25—**The act amended the General Sales Tax Act to establish the sales tax liability of members, managers, or partners of certain business entities at dissolution. The act applies to limited liability companies, limited liability partnerships, partnerships, and limited partnerships.

**2003 PA 27—**The act revised the Use Tax Act to exempt certain tangible personal property from the use tax if it is brought into the state by a nonresident more than 90 days after the date of purchase, or the property is purchased by a resident and brought into the state more than 360 days after the date of purchase. The exemption applies solely to personal, nonbusiness property that is not an aircraft.

# SINGLE BUSINESS TAX

**2003 PA 240—**The act amended the Single Business Tax Act to remove certain percentages of a business entity's Michigan-based health care costs from the definition of compensation. Compensation is one of the factors used to determine a business' tax base. The act exempts 5 percent of the payment in the tax year that begins after December 31, 2003, 20 percent of the payment in the tax year that begins after December 31, 2004, and 40 percent of the payment in the tax year that begins after December 31, 2005.

**2003 PA 241—**The act amended the Single Business Tax Act to provide that for the tax year beginning after December 31, 2006 and beyond, a business may exclude 50 percent of its Michigan-based health care costs from the definition of compensation, as used to determine a business' tax base.

**2003 PA 248—**The act amended the Michigan Economic Growth Authority Act to, in part, revise MEGA-awarded SBT credit eligibility for certain high technology companies. The act established standards by which "distressed businesses" and "rural businesses" could qualify for MEGA-awarded SBT credits. The act increased the total number of SBT credits that could be granted in any one year, and established mechanisms for monitoring promised job gain or job retention. The act was part of a package of legislation which included implementation language adopted under 2003 PAs 249, 250, and 251.

**2003 PA 249—**The act amended the Single Business Tax Act to extend the ability of the Michigan Economic Development Authority to grant SBT credits to December 31, 2009. The act also transferred authority for the administration of the credits from the Department of Treasury to MEGA.

**2003 PA 250—**The act amended the Single Business Tax Act to extend the ability of the Michigan Economic Development Authority to grant certain SBT credits to December 31, 2009.

**2003 PA 251—**The act amended the Single Business Tax Act to extend the ability of the Michigan Economic Development Authority to grant SBT credits to December 31, 2009. The act also established a mechanism for monitoring job gain or job retention by tax credit recipients.

**2003 PA 273—**The act amended the Single Business Tax Act to revise the $2,000 apprentice credit for certain tool and die companies. The act allows companies within certain industrial classifications to claim a $4,000 SBT credit for each employee that qualifies as an "apprentice," or a $1,000 SBT credit for each employee that qualifies as a "special apprentice."

**2003 PA 297—**The act amended the Single Business Tax Act to create a new refundable credit for venture capital investment, beginning in the 2009 tax year. The credit will be equal to the difference, if any, between the amount of venture capital investment repayments and the amount set as the repayment due.

# PROPERTY TAX

**2003 PA 105—**The act amended the General Property Tax Act to clarify eligibility standards for the homestead (now the homeowner's principal residence) exemption, revise procedures for appealing denied homestead (now the homeowner's principal residence) exemption claims, and authorize an audit process for substantiating principal residence claims.

**2003 PA 140—**The act amended the General Property Tax Act to change the name of the homestead property tax exemption to the principal residence exemption. The act was tie-barred to 2003 PAs 126-131 and 141 which made corresponding changes in related laws.

**2003 PA 194—**The act allows city or township boards of review to set alternate starting dates for boards of review to meet to hear appeals. The alternate starting dates are to be the Tuesday or Wednesday following the second Monday of March.

**2003 PA 247**—The act changes the date for determining the status of property as a principal residence (for eligibility for the principal residence exemption) back to May 1, rather than December 31, as previously revised by 2003 PA 105. The act also imposes interest on taxes billed on omitted property under section 154 of the General Property Tax Act (MCL 211.154), unless the owner requests, before March 1, 2004, that the property be added to the tax rolls.

**2003 PA 274**—The act amended the personal property provisions of the General Property Tax Act to redefine the term "special tool" and add a definition of "standard tool." Special tools are exempt from the personal property tax, but standard tools are subject to the personal property tax.

## MISCELLANEOUS TAXES

**2003 PA 23**—The act amended the revenue act to establish the tax liability of members, managers, or partners of certain business entities. The act applies to limited liability companies, limited liability partnerships, partnerships, and limited partnerships.

**2003 PA 38**—The act amended 1979 PA 72, which required the reporting of tax expenditure items in conjunction with the submission of the budget, to change the reference to tax credits, deductions, and exemptions.

**2003 PA 68**—The act changed the reference in the Management and Budget Act from the tax expenditure report to the credit, deduction, and exemption report.

**2003 PA 92**—The act amended the revenue act to require the publication of departmental letter rulings.

**2003 PA 201**—The act amended the revenue act to extend a waiver of interest and penalties for taxpayers who filed a tax return or remittance up to no more than a week late due to the 2003 electric blackout.

**2003 PA 266**—The act amended the Michigan Renaissance Zone Act to allow the Strategic Fund Board to designate up to 20 Tool and Die Renaissance Recovery Zones in the state. A recovery zone is to have Renaissance Zone-like tax status for up to 15 years, as determined by the board.

**2003 PA 296**—The act created the Michigan Early Stage Venture Investment Act of 2003. The act establishes a nonprofit early stage venture investment corporation designed to accept and invest seed money for the start-up of new and beginning businesses in Michigan. A minimum return on investment is guaranteed for investors with refundable income tax (2003 PA 295) or single business tax (2003 PA 297) credits. A corporation must be established within one year of the act's effective date or ten months following IRS approval of the corporation as a 501(c)(3) or 501(c)(4) entity, whichever occurs later.

# CERTIFIED COMMUNITY FOUNDATIONS AND COMPONENT FUNDS

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 2003.

01 Albion Community Foundation
56 Allegan County Community Foundation
Saugatuck/Douglas Area Community Fund
63 Anchor Bay Community Foundation
02 Ann Arbor Area Community Foundation
Ypsilanti Area Community Fund
49 Baraga County Community Foundation
58 Barry Community Foundation
17 Battle Creek Community Foundation
Athens Area Community Foundation
Homer Area Community Foundation
Springfield Community Foundation
03 Bay Area Community Foundation
Arenac County Fund
04 Berrien Community Foundation
Coloma Community Fund
Greater Berrien Springs Community Endowment Fund
Harbor County Endowment Fund
45 Branch County Community Foundation
36 Cadillac Area Community Foundation
Missaukee County Community Foundation
64 Canton Community Foundation
06 Capital Region Community Foundation
Eaton County Community Foundation
66 Central Montcalm Community Foundation
44 Charlevoix County Community Foundation
70 Chippewa County Community Foundation
28 Community Foundation for Muskegon County
Mason County Community Foundation
Oceana County Community Foundation
29 Community Foundation for Northeast Michigan
Iosco County Community Foundation
North Central Michigan Community Foundation
Straits Area Community Foundation
09 Community Foundation for Southeast Michigan
Chelsea Community Foundation
Community Foundation for Livingston County
10 Community Foundation of Greater Flint
Clio Area Community Fund
Fenton Community Fund
Flushing Area Community Fund
Grand Blanc Community Fund
Lapeer County Community Fund
19 Community Foundation of Greater Rochester
11 Community Foundation of Monroe County
The Bedford Foundation
35 Community Foundation of St. Clair County
20 Community Foundation of the Holland/Zeeland Area
54 Community Foundation of the Upper Peninsula
Alger Regional Community Foundation
Community Foundation for Delta County
Gogebic-Ontonagon Community Foundation
Les Chenaux Area Community Fund
Schoolcraft County Community Foundation
St. Ignace Area Community Foundation
Tahquamenon Falls Area Community Foundation
West Iron County Area Community Fund
50 Dickinson County Area Community Foundation
Crystal Falls/Forest Park Area Community Fund
Norway Affiliate Fund
13 Four County Community Foundation
14 Fremont Area Community Foundation
Lake County Community Foundation
Mecosta County Community Foundation
Osceola County Community Foundation
15 Grand Haven Area Community Foundation
Allendale Community Foundation
Coopersville Area Foundation
16 Grand Rapids Community Foundation
Cascade Community Foundation
Ionia County Community Foundation
Southeast Ottawa Community Foundation
Sparta Community Foundation
Wyoming Community Foundation
46 Grand Traverse Regional Community Foundation
48 Gratiot County Community Foundation
18 Greater Frankenmuth Area Community Foundation
37 Greenville Area Community Foundation
Lakeview Area Community Foundation
Montcalm Panhandle Community Fund
43 Hillsdale County Community Foundation
60 Huron County Community Foundation
21 Jackson County Community Foundation
22 Kalamazoo Community Foundation
Bangor Community Foundation
Covert Township Community Foundation
South Haven Community Foundation
67 Keweenaw Community Foundation
23 Leelanau Township Community Foundation
62 Lenawee Community Foundation
55 Livonia Community Foundation
25 M & M Area Community Foundation
65 Mackinac Island Community Foundation
24 Manistee County Community Foundation
39 Marquette Community Foundation
Greater Ishpeming Area Community Fund
Gwinn Area Community Fund
Negaunee Area Community Fund
26 Marshall Community Foundation
05 Michigan Gateway Community Foundation
27 Midland Area Community Foundation
Clare County Community Foundation
Gladwin County Endowment Fund
42 Mt. Pleasant Area Community Foundation
Shepard Community Fund
68 Northville Community Foundation
75 Otsego County Community Foundation
47 Petoskey-Harbor Springs Area Community Foundation
76 Roscommon County Community Foundation
30 Saginaw Community Foundation
61 Sanilac County Community Foundation
71 Shelby Community Foundation
31 Shiawassee Community Foundation
57 Southfield Community Foundation
74 Sterling Heights Community Foundation
40 Sturgis Area Community Foundation
Constantine Area Community Foundation
White Pigeon Community Foundation
62 Tecumseh Community Fund Foundation
32 Three Rivers Area Community Foundation
72 Troy Community Foundation
73 Tuscola County Community Foundation

# Financial Information for Fiscal Year 2002

This information is intended to give you an overview and broad perspective of the state's financial operations. These figures were derived from the latest *Michigan Comprehensive Annual Financial Report* for the fiscal year ended September 30, 2002.

### State Revenues and Financing Sources
*(Millions of Dollars)*

| Financing Source | Amount | % |
|---|---|---|
| Sales and Use Taxes | $7,746.3 | 28.7% |
| Income Tax | 6,096.0 | 22.6% |
| Other Revenue & Taxes | 5,949.5 | 22.1% |
| Single Business & Insur. Taxes | 2,210.9 | 8.2% |
| Motor Vehicle & Fuel Taxes | 1,949.2 | 7.2% |
| State Education Tax | 1,583.7 | 5.9% |
| Tobacco & Liquor Taxes | 808.2 | 3.0% |
| Lottery Profits | 626.6 | 2.3% |
| Total | $26,970.4 | 100.0% |

### State Expenditures and Financing Sources
*(Millions of Dollars)*

| Financing Use | Amount | % |
|---|---|---|
| Education | $13,857.5 | 51.4% |
| Health | 2,876.8 | 10.7% |
| Transportation | 2,330.8 | 8.6% |
| Law Enforcement & Public Safety | 2,038.1 | 7.6% |
| General Government | 1,579.1 | 5.8% |
| Revenue Sharing to Local Governments | 1,517.3 | 5.6% |
| Human Services | 1,224.4 | 4.5% |
| Economic Dev. & Environmental Reg. | 1,042.2 | 3.9% |
| Other | 504.2 | 1.9% |
| Total | $26,970.4 | 100.0% |

# Treasury Offices

Forms are available at all Treasury offices listed below. Treasury office staff do not prepare tax returns.

**DETROIT,** 48202-6060
Cadillac Place, Suite 2-200
3060 W. Grand Blvd.

**DIMONDALE ***
7285 Parsons Drive
(*NOT a mailing address)

**ESCANABA,** 49829
State Office Building, Room 7
305 Ludington St.
(Open 8 a.m. - 12 noon)

**FLINT,** 48502
State Office Building, 7th Floor
125 E. Union St.

**GRAND RAPIDS,** 49503
State Office Building, 3rd Floor
350 Ottawa St., NW

**STERLING HEIGHTS,** 48314
41300 Dequindre, Suite 200

**TRAVERSE CITY,** 49684
701 S. Elmwood Ave., Suite 1
(Open 8 a.m. - 12 noon)

**This booklet was prepared in 2004 to provide taxpayers with useful information about their 2003 state taxes. It is not meant as a substitute for Michigan Department of Treasury tax instruction booklets.**

**The tax forms have been included as an example for taxpayers. Anyone using these forms to file their state income tax and property tax credits should consult the department's instruction booklets. Any references on these forms to page numbers refer to pages in the department's instruction booklets and not to pages in this Taxpayer's Guide.**

Michigan Department of Treasury (Rev. 10-03)

# 2003 MICHIGAN Individual Income Tax Return

**2003 MI-1040**

Issued under authority of P.A. 281 of 1967.

**This return is due April 15, 2004. Type or print in blue or black ink.**

PLACE LABEL HERE

| 1. Filer's First Name and Middle Initial | Last Name | | | 2. Filer's Social Security Number |
|---|---|---|---|---|
| If a Joint Return, Spouse's First Name and Middle Initial | Last Name | | | 3. Spouse's Social Security Number |
| Home Address (No., Street, P.O. Box or Rural Route) | | | | Office Use |
| City or Town | | State | ZIP Code | 4. School District Code (see page 45) |

Check this box if someone else prepares your return and you DO NOT need a book mailed to you next year (see pg. 5). ☐

**5. STATE CAMPAIGN FUND** Check this box if you (or your spouse, if filing a joint return) want $3 of your taxes to go to this fund. This will not increase your tax or reduce your refund.

| 5. | YES | NO |
|---|---|---|
| a. You | ☐ | ☐ |
| b. Spouse | ☐ | ☐ |

**6. FARMERS, FISHERMEN OR SEAFARERS** If 2/3 of your income is from farming, fishing or seafaring, check this box.................. 6. ☐

**7. FILING STATUS** a. ☐ Single b. ☐ Married, filing jointly c. ☐ Married, filing separately. Complete item 3 and enter your spouse's name here: ______

**8. RESIDENCY** a. ☐ Resident b. ☐ Nonresident c. ☐ Part-Year Resident

If you check box "b" or "c," you must complete and attach Schedule NR.

**9. EXEMPTIONS**

If someone else can claim you and/or your spouse as a dependent, check the box, and complete the worksheet on page 11. You a. ☐ Spouse b. ☐ ......................... 9c. .00

d. Number of exemptions you claimed on your 2003 federal return ........................................ 9d. ____ x $3,100 .00

e. Number of individuals (claimed in 9d) 65 or older who qualify for a special exemption............. 9e. ____ x $1,900 .00

f. Number of individuals who qualify for one of the following special exemptions: deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled ............ 9f. ____ x $1,900 .00

g. Number of children ages 18 and under you claimed as Michigan exemptions ........................ 9g. ____ x $600 .00

h. If your unemployment compensation is 50% or more of your AGI (amount claimed on line 10) check the box and enter $1,900 ........................................ 9h. ☐ $1,900 .00

i. Add lines 9c, 9d, 9e, 9f, 9g and 9h. Enter here and on line 15 ........................ 9i. .00

10. **Adjusted gross income** from your U.S. *1040, 1040A, 1040EZ* or *1040NR* (see p. 11) ........... 10. .00

11. Additions (from MI-1040 Schedule 1, line 7) ........................ 11. .00

12. *Total.* Add lines 10 and 11 ........................ 12. .00

13. Subtractions (from MI-1040 Schedule 1, line 19) ........................ 13. .00

14. *Income subject to tax.* Subtract line 13 from line 12 ........................ 14. .00

15. **Exemption allowance.** Enter the amount from line 9i or Schedule NR, line 20 ........................ 15. .00

16. *Taxable income.* Subtract line 15 from line 14 ........................ 16. .00

17. ***Tax.*** Multiply line 16 by 4.0% (.040). Enter here and carry amount to line 18 ........................ 17. .00



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*Continue and sign on page 2.*

| | | | | |
|---|---|---|---|---|
| 18. **Enter amount of tax from line 17** | | | 18. | .00 |

## NONREFUNDABLE CREDITS

| | | Amount | | Credit |
|---|---|---|---|---|
| **19**. Income tax paid to Michigan cities (see p. 12) | **19a**. | .00 | 19b. | .00 |
| **20**. Public contributions (see p. 12) | **20a**. | .00 | 20b. | .00 |
| **21**. Community foundations. Enter code from p. 44 | **21a**. | .00 | 21b. | .00 |
| **22**. Homeless Shelter/Food Bank cash contributions (see p. 12) | **22a**. | .00 | 22b. | .00 |
| **23.** Income tax paid to another state. Attach a copy of the return | 23a. | .00 | **23b**. | .00 |
| **24**. Michigan Historic Preservation Tax Credit. Attach Form 3581 | **24a**. | .00 | **24b**. | .00 |
| **25**. College Tuition and Fees Credit. Attach Schedule CT | | | **25**. | .00 |
| 26. Total nonrefundable credits. Add lines 19b, 20b, 21b, 22b, 23b, 24b and 25 | | | 26. | .00 |
| **27**. Income tax. Subtract line 26 from line 18. If line 26 is greater than line 18, enter "0" | | | **27**. | .00 |
| **28**. Use Tax. **a.** ☐ No use tax due **b.** ☐ Amount from Worksheet 1, line 3, on page 10 | | | **28**. | .00 |
| 29. Add lines 27 and 28 | | | 29. | .00 |

## REFUNDABLE CREDITS and PAYMENTS

| | | | | |
|---|---|---|---|---|
| **30**. Property Tax Credit. Attach MI-1040CR or MI-1040CR-2 | **30**. | .00 | | |
| **31**. Farmland Preservation Credit. Attach MI-1040CR-5 | **31**. | .00 | | |
| **32.** Qualified Adoption Expenses. Attach MI-8839 | **32.** | .00 | | |
| **33**. Michigan Tax Withheld. Attach Schedule W | **33**. | .00 | | |
| **34**. Estimated tax, extension payments and 2002 credit forward | **34**. | .00 | | |
| 35. Total refundable credits and payments. Add lines 30 through 34 | | | 35. | .00 |

## REFUND OR TAX DUE

| | | | | |
|---|---|---|---|---|
| | | | | Office Use |
| **36**. If line 35 is less than line 29, enter TAX DUE. Include interest __________ and penalty ___________ if applicable (see p. 13) | | PAY | **36**. | .00 |
| 37. If line 35 is greater than line 29, subtract line 29 from line 35. You overpaid this amount | | | 37. | .00 |
| **38**. Amount of line 37 to be credited to your 2004 estimated tax | **38**. | .00 | | |
| **39**. Subtract line 38 from line 37. For a *FAST REFUND, File Electronically* | | **REFUND** | **39.** | .00 |

***Direct Deposit*** *Deposit your refund directly into your bank account! See pg. 14 and complete a, b and c.*

a. Routing Number

b. Account Type: (1) ☐ Checking (2) ☐ Savings

c. Account Number

***Deceased Taxpayers*** If filer is deceased, enter date of death. If spouse is deceased, enter date of death.

| | | |
|---|---|---|
| *I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.* I authorize Treasury to discuss my return with my preparer. ☐ Yes ☐ No | | *I declare under penalty of perjury that this return is based on all information of which I have any knowledge.* Preparer's SSN, PTIN or FEIN |
| Filer's Signature | Date | Preparer's Name and Address |
| Spouse's Signature | Date | |

**Refund, Credit or zero returns.** Mail your return to:
**Michigan Department of Treasury**
**Lansing, MI 48956**

**Pay** amount on line 36. Mail your check and return to:
**Michigan Department of Treasury**
**Lansing, MI 48929**

Make checks payable to *"State of Michigan."* Print your Social Security number **and** the words "2003 income tax" on the front of your check. **Do not staple your check to the return.**

# Use Tax

**If you have paid the tax for your out-of-state purchases, check Box "a" on your 2003 MI-1040, line 28. If you are unsure, read the following.**

Every state that has a sales tax has a companion tax for purchases made outside that state, by catalog or over the Internet. In Michigan, that companion tax is called the "use tax," but might be described more accurately as a remote sales tax because it is a 6 percent tax owed on purchases made outside of Michigan.

You owe tax on purchases for "storage, use or consumption in Michigan of tangible personal property" from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases as well as purchases while traveling in foreign countries and other states. You do not have to pay Michigan use tax if:

- Michigan sales or use tax was paid to the seller, or
- The seller charged another state's sales tax (including local sales taxes) of at least 6 percent on purchases, or
- Purchases made outside Michigan in a calendar month did not exceed $10. If total purchases for the month exceed $10, then all purchases are subject to tax.

Use tax must be paid on the total price (including shipping and handling charges) of all taxable items purchased from out-of-state retailers who do not collect Michigan tax.

## Examples of Taxable Items

Examples of purchases subject to use tax, only if you have not already paid a tax of at least 6 percent, include Internet, mail order, or out-of-state catalog purchases and purchases made while traveling in another state and/or foreign country.

**Note:** No credit is given for tax paid on purchases made in a foreign country. Use tax is owed when the item is brought into Michigan.

## Purchases from Out-of-State Businesses

An out-of-state business that does not have a store, warehouse or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers. Michigan tax must be itemized separately on the out-of-state seller's invoice.

## How to Pay Use Tax

You may pay use tax on your MI-1040. Use Worksheet 1 to calculate your tax. Check the box on line 28 that applies to your situation and enter the amount of tax due, if any, on line 28.

## Worksheet Calculation

**Line 1:** For purchases under $1,000, if you know the amount, multiply your total purchases times 6 percent (.06) and enter the amount on Line 1.

**OR**, for purchases under $1,000, if you have incomplete or inaccurate receipts to calculate your purchases, you may use Table 2-Use Tax to estimate your taxes. (See the example.)

Line 1 should contain a number unless you made no purchases under $1,000 subject to the use tax.

**Line 2:** In all cases, if a single purchase exceeds $1,000, you must pay 6 percent use tax on those purchases.

**TABLE 2 - USE TAX**

**"Remote Sales"**

| Adjusted Gross Income* | Tax |
|---|---|
| $0-$10,000 | $3 |
| $10,001-$20,000 | $8 |
| $20,001-$30,000 | $13 |
| $30,001-$40,000 | $18 |
| $40,001-$50,000 | $23 |
| $50,001-$75,000 | $31 |
| $75,001-$100,000 | $44 |
| Above $100,000 | Multiply AGI by 0.05% (.0005) |

* Adjusted Gross Income from MI-1040, line 10

**Line 3:** Total Use Tax due (total of Line 1 and Line 2).

**WORKSHEET 1 - USE TAX**

**Line 1:** Itemized purchases under $1,000 x 6 percent (.06) **OR** Use Tax Table amount . . . . . $______

**Line 2:** Single purchases each over $1,000 x 6 percent (.06) . . . . . $______

**Line 3:** Total Use Tax Due (total of Line 1 and Line 2) . . . . . . $______

Enter amount from Line 3 above on your 2003 MI-1040, line 28, and check **Box "b."**

**Example:** Kurt ordered a computer from a catalog retailer in New York for $1,437.50. Kurt also purchased items over the Internet for less than $1,000 during the year, but lost his receipts. He is sure he did not pay Michigan sales tax. Kurt's AGI is $46,500. Kurt would complete Worksheet 1 as follows:

| | |
|---|---|
| Line 1: Kurt selects $23 from the table based on his AGI | $23.00 |
| Line 2: Kurt enters $1,437.50 x 6 percent | $86.25 |
| Line 3: Total use tax due | $109.25 |

Kurt would enter $109 (no cents) on his 2003 MI-1040, line 28, and check **Box "b."**

Using Table 2-Use Tax to estimate your taxes does not preclude the Michigan Department of Treasury from auditing your account. If additional tax is due, you may receive an assessment for the amount of the tax owed, plus applicable penalty and interest.

For more information see our Web site at: **www.michigan.gov/treasury**

Michigan Department of Treasury
3423 (Rev. 12-03)

2003

# 2003 MICHIGAN
# MI-1040 Schedule 1

Issued under authority of P.A. 281 of 1967.

**Attach to Form MI-1040. Type or print in blue or black ink.** **Attachment Sequence No. 01**

| Filer's First Name, Middle Initial and Last Name | Filer's Social Security Number |
|---|---|
| If a Joint Return, Spouse's First Name, Middle Initial and Last Name | Spouse's Social Security Number |

## Additions to Income

| | | |
|---|---|---|
| 1. Gross interest and dividends from obligations issued by states other than Michigan or their political subdivisions | 1. | .00 |
| 2. Deduction for taxes on, or measured by, income including self-employment tax taken on your federal return (see page 14) | 2. | .00 |
| 3. Gains from Michigan column of MI-1040D and MI-4797 | 3. | .00 |
| 4. Losses attributable to other states (see page 15) | 4. | .00 |
| 5. Net loss from federal column of your Michigan MI-1040D or MI-4797 | 5. | .00 |
| 6. Other (see page 15). **Describe:** ____________ | 6. | .00 |
| 7. **Total additions.** Add lines 1 through 6. Enter *here* and on MI-1040, line 11 | 7. | .00 |

## Subtractions from Income

| | | |
|---|---|---|
| 8. Income from U.S. government bonds and other U.S. obligations included in MI-1040, line 10 (Attach U.S. *Schedule B* if over $5,000.) | 8. | .00 |
| 9. Military pay from U.S. Armed Forces included in MI-1040, line 10 (attach Schedule W). (Include retirement pay on line 12 of this schedule) | 9. | .00 |
| 10. Gains from federal column of Michigan MI-1040D and MI-4797 | 10. | .00 |
| 11. Income attributable to another state. **Explain type and source:** ____________ | 11. | .00 |
| 12. Retirement or pension benefits included in MI-1040, line 10. (Include military retirement here.) See exceptions, pages 15-16. **Name of payer:** ____________ | 12. | .00 |
| 13. Dividend/interest/capital gains deduction for senior citizens (see page 16) | 13. | .00 |
| 14. Social Security benefits from U.S. *1040,* line 20b or U.S. *1040A,* line 14b | 14. | .00 |
| 15. Income earned while a resident of a renaissance zone. **Name of zone:** ____________ | 15. | .00 |
| 16. Michigan state and local income tax refunds received in 2003 and included in MI-1040, line 10 | 16. | .00 |
| 17. Michigan Education Savings Program misp | 17. | .00 |
| 18. MET Michigan Education Trust and/or miscellaneous subtractions (see p.16). **Describe:** ____________ | 18. | .00 |
| 19. **Total subtractions**. Add lines 8 through 18. Enter here and on MI-1040, line 13 | 19. | .00 |

**You must file an official Department of Treasury form for MI-1040 Schedule 1 or a Treasury-approved substitute. You may also file a photocopy of this form.**

www.michigan.gov/treasury

### EXAMPLE A: Computing Pension Deduction

John and Karen Jones file jointly and received the following income during 2003:

| | |
|---|---|
| Michigan Public School Retirement System | $12,000 |
| Military Retirement Pay | $ 8,000 |
| General Motors Retirement Program | $20,000 |
| IRA Distribution | $ 4,000 |

John and Karen are allowed to deduct the entire amount of pension income they receive from public/military retirement systems in determining Michigan taxable income. However, the maximum allowable private pension deduction must be reduced by the amount of public/military pension income claimed as a deduction.

**Determining the private pension deduction:**

**Step 1:** Add all public and military retirement benefits together. ............................ $12,000 + $8,000 = $20,000

**Step 2:** Deduct the amount calculated in Step 1 from $75,420 (use $37,710 if a single filer). ..................................................................... $75,420 - $20,000 = $55,420

**Step 3:** Combine the total amount of private pension income including IRAs. ....... $20,000 + $4,000 = $24,000

**Step 4:** Determine which is smaller: the amount computed in Step 2 or Step 3.
The $24,000 from Step 3 is smaller and is the allowable private pension deduction.

**Step 5:** **Determine the total pension deduction** by adding the amounts computed in Step 1 and Step 4.

| | |
|---|---|
| Total public and military pension income | $20,000 |
| Total allowable private pension deduction | 24,000 |
| Total 2003 pension deduction. Enter on MI-1040 Schedule 1, line 12 | $44,000 |

### EXAMPLE B: Senior Citizen Interest, Dividend and Capital Gains Deduction

Joe and Susan are both 67 and file jointly. They received the following income during 2003:

| | |
|---|---|
| Capital Gains | $10,000 |
| Pension | $ 2,000 |
| Social Security | $ 4,800 |
| Dividends | $ 500 |
| Interest | $ 2,000 |

They may deduct the $2,000 pension on their MI-1040 and the senior citizen interest, dividend and capital gains income as shown in Steps 1 through 3 below.

**Determining the interest, dividend and capital gains deduction:**

**Step 1:** Add all capital gains, dividends and interest income:

| | |
|---|---|
| Capital Gains | $10,000 |
| Dividends | 500 |
| Interest | 2,000 |
| Total | $12,500 |

**Step 2:** Subtract pension from the maximum capital gains, dividends and interest deduction of $16,815 for joint filers ($8,408 for single filers).

| | |
|---|---|
| Maximum Deduction Amount | $ 16,815 |
| Less Pension Subtraction | (2,000) |
| Total | $ 14,815 |

**Step 3:** Total interest, dividend and capital gains deduction is the smaller of the calculation from Step 1 or Step 2; $12,500 is the allowable deduction. Enter this amount on MI-1040 Schedule 1, line 13.

# 2003 MICHIGAN Farmland Preservation Tax Credit Claim

**2003 MI-1040CR-5**

Issued under authority of the Income Tax Act of 1967.

Attach to Form MI-1040. Read all instructions before completing this form. Type or print in blue or black ink.

## PART 1: IDENTIFICATION

**Attachment Sequence No. 03**

| | |
|---|---|
| **1.** Primary Filer's First Name, Middle Initial, and Last Name | **2.** Filer's Social Security Number |
| If a Joint Return, Spouse's First Name, Middle Initial, and Last Name | **3.** Spouse's Social Security Number |

## PART 2: COMPUTATION OF CREDIT

*Complete a Schedule CR-5 before completing Part 2.*

**4.** Total taxes for all agreements from line 3, column F, Schedule CR-5 .......... **4.** ______ .00

5. Are all of the taxes that qualify for a homestead property tax credit included in the total on line 4?

☐ Yes ☐ No

6. If "No," enter the taxes on your home and farmland that qualify for a property tax credit but are not under a farmland preservation agreement .......... 6. ______ .00

**7.** Total. Add lines 4 and 6 .......... **7.** ______ .00

8. Household income from MI-1040CR, line 29, or CR-2, line 29 .......... 8. ______ .00

9. Depletion allowance claimed on your federal return .......... 9. ______ .00

10. Total. Add lines 8 and 9 .......... 10. ______ .00

11. Total taxes on land covered by Farmland Developmental Rights Agreement from line 4 .......... 11. ______ .00

12. Taxes not eligible for credit. Multiply line 10 by 3.5% (.035) .......... 12. ______ .00

13. Subtract line 12 from line 11 .......... 13. ______ .00

14. Enter your Homestead Property Tax Credit from MI-1040CR or CR-2 14. ______ .00

15. Total Property Tax Credits. Add lines 13 and 14 .......... 15. ______ .00

**IF LINE 15 IS LESS THAN LINE 7, ENTER THE AMOUNT FROM LINE 13 ON LINE 31 OF YOUR MI-1040 AND STOP HERE.**

16. If line 15 is greater than line 7, enter the amount from line 7 .......... 16. ______ .00

17. Enter the amount from line 14 .......... 17. ______ .00

**18**. Subtract line 17 from line 16. Enter here and on line 31 of your MI-1040 .......... **18**. ______ .00

## PART 3: SIGNED DISTRIBUTION STATEMENT FOR JOINT OWNERS

*Complete only if you are a joint owner with someone other than your spouse. Part 3 __**must**__ be signed by all joint owners.*

| Agreement Number | Partner's or Joint Owner's Name | Partner's or Joint Owner's Social Security Number | Partner's or Joint Owner's Percentage of Income | Partner's or Joint Owner's Percentage of Ownership | Signatures are required of all partners or joint owners other than your spouse. |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

## Assemble your return and attachments in the following order, beginning on top:

- *Michigan Individual Income Tax Return* (Form MI-1040).
- *Michigan MI-1040 Schedule 1.*
- *Nonresident and Part-Year Resident Schedule* (Schedule NR).
- *Farmland Preservation Tax Credit Claim* (Form MI-1040CR-5).
- *Schedule of Taxes and Allocation to Each Agreement* (Schedule CR-5).
- A completed *Homestead Property Tax Credit Claim* (Forms MI-1040CR or MI-1040CR-2), even if you are not qualified to receive a credit.
- *College Tuition and Fees Credit* (Schedule CT).
- A copy of any recorded Farmland Development Rights Agreement (FDRA) not claimed on your previous year's return.
- **A copy of your 2003 property tax statements that show the taxable value, the property taxes levied by millage rate and the corresponding agreement numbers.**
- An official allocation of your tax statement amount between property subject to an FDRA and property not covered by an FDRA.
- A copy of your receipt showing payment of your 2002 or 2003 property taxes.
- A copy of page 1 and 2 of your 2003 U.S. *1040*. (If you are not required to file a federal return, attach a schedule showing farm income and expenses used to arrive at net income.)
- Copies of federal schedules and forms which reflect adjustments to gross income (*Schedules C, D, E and F*, and U.S. *4797* and *4835*).
- Your *Application for Michigan Net Operating Loss Refund* (Form MI-1045), if you have reduced your household income by an operating loss or carryover.
- Partnerships must attach U.S. *1065* and *Schedule K-1*. S corporation shareholders must attach U.S. *1120S* and *Schedule K-1*.
- Joint owners must attach a statement signed by all owners specifying each owner's percent of income and expenses, or complete Part 3 of the MI-1040CR-5.
- *Schedule of Withholding* (Schedule W).

**Mail the above documents to the address on the *MI-1040 Individual Income Tax Return.***

**For assistance, call 1-800-827-4000. Persons who are deaf, hard of hearing, or have a speech impairment may call 517-636-4999 (TTY).**

# 2003 MICHIGAN Homestead Property Tax Credit Claim

**2003 MI-1040CR**

Issued under authority of P.A. 281 of 1967. **Type or print in blue or black ink.**

**Attachment Sequence No. 05**

PLACE LABEL HERE

| | |
|---|---|
| 1. Filer's First Name, Middle Initial and Last Name | 2. Filer's Social Security Number |
| If a Joint Return, Spouse's First Name, Middle Initial and Last Name | 3. Spouse's Social Security Number |
| Home Address (No., Street, P.O. Box or Rural Route) | Office Use |
| City or Town / State / ZIP Code | 4. School District Code (see page 45) |

5. Residency Status in 2003:
a. ☐ Resident
b. ☐ Nonresident
c. ☐ Part-Year Resident. Complete Dates: FROM (Month Day Year) TO (Month Day Year)
YOU
SPOUSE

6. Check the box(es) for which you qualify:
a. ☐ Age 65 or older
b. ☐ Unremarried spouse of a person who was 65 or older at the time of death
c. ☐ Paraplegic, Quadriplegic or Hemiplegic
d. ☐ Totally and Permanently Disabled (see p. 20)
e. ☐ Blind/Deaf

7. **Homeowners:** Enter the 2003 **taxable value** of your homestead ........ 7. ____.00
8. Property Taxes levied on your home in 2003 (see pages 18-19) or amount from line 42, 47 and 49 ........ 8. ____.00
9. **Renters**: Enter rent paid in 2003 from line 44 ........ 9. ____.00
10. Multiply line 9 by 20% (.20) ........ 10. ____.00
11. **Total.** Add lines 8 and 10 ........ 11. ____.00

**HOUSEHOLD INCOME. Include income from both spouses. If your household income is more than $82,650, you are not eligible for a credit.**

12. Wages, salaries, tips, sick, strike and SUB pay, etc. ........ 12. ____.00
13. All interest and dividend income (including nontaxable interest) ........ 13. ____.00
14. Net rent, business or royalty income ........ 14. ____.00
15. Retirement pension and annuity benefits. Name of payer: ________ 15. ____.00
16. Net farm income ........ 16. ____.00
17. Capital gains less capital losses (see page 21) ........ 17. ____.00
18. Alimony and other taxable income (see page 21). Describe: ________ 18. ____.00
19. Social Security, SSI and/or railroad retirement benefits ........ 19. ____.00
20. Child support (see page 21) ........ 20. ____.00
21. Unemployment compensation ........ 21. ____.00
22. Other nontaxable income (see page 21). Describe: ________ 22. ____.00
23. Worker's compensation, veterans' disability compensation and pension benefits ........ 23. ____.00
24. FIP and other FIA benefits ........ 24. ____.00
25. **SUBTOTAL**. Add lines 12-24 ........ **SUBTOTAL** 25. ____.00
26. Other adjustments (see page 21). Describe: ________ 26. ____.00
27. Medical insurance or HMO premiums you paid for you and your family ........ 27. ____.00
28. Add lines 26 and 27 ........ 28. ____.00
29. HOUSEHOLD INCOME. Subtract line 28 from line 25 ........ 29. ____.00
30. Multiply line 29 by 3.5% (.035) or by the percent in Table 3 (see page 22) ........ 30. ____.00
31. Subtract line 30 from line 11. If line 30 is more than line 11, enter "0" and STOP; you are not eligible ........ 31. ____.00

**Seniors (65 and older) and anyone else who checked a box on line 6, complete lines 33 or 34. FIP/FIA recipients, complete line 33. All others must complete line 32.**

32. Multiply line 31 by 60% (.60) (maximum $1,200). Go to line 35 ........ 32. ____.00
33. **FIP/FIA recipients**, complete lines 50-53 and enter amount from line 53 here. **Seniors who pay rent,** complete lines 54-58 and enter amount from line 58 here (maximum $1,200). Go to line 35 ........ 33. ____.00
34. Senior homeowners or anyone who checked a box on line 6 (if you completed line 33, skip this line), enter the amount from line 31 (maximum $1,200). Go to line 35 ........ 34. ____.00
35. **CREDIT.** If your household income (line 29) is less than $73,650, enter the amount that applies to you from line 32, 33 or 34 here. If it is more than $73,650, you must reduce your credit (see instructions on page 22). If you file an MI-1040, carry this amount to your MI-1040, line 30 ........ 35. ____.00

**Direct Deposit**

*Deposit your refund directly into your bank account! See pg. 14 and complete a, b and c.*

a. Routing Number
b. Account Type: (1) ☐ Checking (2) ☐ Savings
c. Account Number

**PART 1: HOMEOWNERS.** Report on lines 36 and 37 the addresses of the homesteads you are claiming credit on.

| | |
|---|---|
| 36. Address of where you lived on December 31, 2003, if different than reported on line 1. | Taxable Value |
| 37. Address of homestead sold during 2003 (No., street and city). | Taxable Value |

If you bought or sold your home in 2003, complete lines 38-42.

| HOMESTEAD: | | A. Bought | B. Sold |
|---|---|---|---|
| 38. Number of days occupied. (Total cannot be more than 365.) | 38. | | |
| 39. Divide line 38 by 365 and enter percentage here | 39. | % | % |
| 40. Property taxes levied in calendar year 2003 | 40. | | |
| 41. Prorated taxes. Multiply line 40 by percentage on line 39 | 41. | | |

42. Taxes eligible for credit. Add line 41, columns A and B. Enter here and on line 8 ........ 42. ______ .00

**PART 2: RENTERS**

| 43. Address of Homestead You Rented (No., Street, Apt. #, City) | Landowner's Name and Address | No. of Months Rented | Monthly Rent | Total Rent Paid |
|---|---|---|---|---|
| A. | | | | A. |
| B. | | | | B. |

44. Total rent paid (not more than 12 months). Add total rent for each period. Enter here and on line 9 ........ 44. ______ .00

**PART 3: OCCUPANTS OF HOUSING ON WHICH SERVICE FEES ARE PAID INSTEAD OF TAXES**

| 45. Name and Address of Housing Project or Landowner |
|---|
| |

46. Enter the total rent you paid in 2003. Do not include amounts paid on your behalf by a government agency........ 46. ______ .00

47. Multiply line 46 by 10% (.10). Enter here and on line 8 ........ 47. ______ .00

**PART 4: OCCUPANTS OF NURSING OR ADULT FOSTER CARE HOMES OR HOMES FOR THE AGED**

| 48. Name and Address of Care Facility |
|---|
| |

49. Your share of taxes paid by the landowner (see page 19). Enter here and on line 8 ........ 49. ______ .00

**PART 5: CREDIT PRORATION.** Complete if you received FIP/FIA benefits.

50. Subtract line 24 from line 29 and enter here ........ 50. ______ .00

51. Divide line 50 by line 29 and enter percentage here ........ 51. ______ %

52. If you checked a box for 65 or older or checked any box on line 6, enter the amount from line 31. All others, multiply amount on line 31 by 60% (.60) and enter here (maximum $1,200) ........ 52. ______ .00

53. Multiply line 52 by percentage on line 51. If you are age 65 or older and you rent your home, enter here and on line 54 and complete lines 55-58. Otherwise, enter here and on line 33 ........ 53. ______ .00

**PART 6: ALTERNATE PROPERTY TAX CREDIT FOR RENTERS AGE 65 AND OLDER**

54. Enter amount from line 31 or from line 53 ........ 54. ______ .00

55. Enter rent paid from line 44 or line 46. (If you moved during 2003, see instructions, page 19.) ........ 55. ______ .00

56. Multiply the amount on line 29 by 40% (.40) and enter here ........ 56. ______ .00

57. Subtract line 56 from line 55. If line 56 is more than line 55, enter "0" ........ 57. ______ .00

58. Enter the larger of line 54 or line 57 and carry this amount to line 33 ........ 58. ______ .00

***Deceased Taxpayers*** If filer is deceased, enter date of death. ▸ ______ If spouse is deceased, enter date of death. ▸ ______

| | | |
|---|---|---|
| *I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.* ▸ I authorize Treasury to discuss my return with my preparer. ☐ Yes ☐ No | | *I declare under penalty of perjury that this return is based on all information of which I have any knowledge.* ▸ Preparer's SSN, PTIN or FEIN |
| Filer's Signature | Date | ▸ Preparer's Name and Address |
| Spouse's Signature | Date | |

# 2003 MICHIGAN Homestead Property Tax Credit Claim for Veterans and Blind People

# 2003 MI-1040CR-2

Issued under authority of P.A. 281 of 1967. **Type or print in blue or black ink.**

**Attachment Sequence No. 06**

PLACE LABEL HERE

| | | | |
|---|---|---|---|
| 1. Filer's First Name, Middle Initial, and Last Name | | | 2. Filer's Social Security Number |
| If a Joint Return, Spouse's First Name, Middle Initial, and Last Name | | | 3. Spouse's Social Security Number |
| Home Address (No., Street, P.O. Box or Rural Route) | | | Office Use |
| City or Town | State | ZIP Code | 4. School District Code (see p. 15) |

**5.** Residency Status in 2003:
a. ☐ Resident
b. ☐ Nonresident
c. ☐ Part-year Resident. (Enter dates at right.)
**FROM:** You / Spouse — Month Day Year **TO:** Month Day Year

**6.** Check one of the following that applies to you.
a. ☐ Blind and own your homestead.
b. ☐ Veteran with service-connected disability or veteran's surviving spouse.
Enter percent of disability: ______ %
c. ☐ Surviving spouse of veteran deceased in service.
*d. ☐ Veteran of wars before World War I, pensioned veteran, his/her surviving spouse, or active military.
*e. ☐ Surviving spouse of a nondisabled or nonpensioned veteran of the Korean War, World War II or World War I.

*If you checked "d" or "e" above and your household income (line 29) is more than $7,500, you cannot claim a credit on this form.

7. Taxable value allowance from Table 1, page 10 ........ **7.** ______ .00
8. **Taxable value** of homestead ........ **8.** ______ .00
9. Property taxes levied on your home for 2003 (see page 5) ........ **9.** ______ .00
10. Percent of tax relief. Divide line 7 amount by the amount on line 8 ........ 10. ______ %
11. Multiply line 9 by line 10. Enter the result (maximum $1,200) ........ 11. ______ .00

**Household Income. Be sure to include income from both spouses.**
**If your household income is more than $82,650, you are not eligible for a credit.**

12. Wages, salaries, tips, sick, strike and SUB pay, etc. ........ 12. ______ .00
13. All interest and dividend income (including nontaxable interest) ........ 13. ______ .00
14. Net rent, business or royalty income ........ **14.** ______ .00
15. Annuity, pension and IRA benefits. Name of payer: ______ 15. ______ .00
16. Net farm income ........ 16. ______ .00
17. Capital gains less capital losses (see page 8) ........ 17. ______ .00
18. Alimony and other taxable income (see page 8). Describe: ______ 18. ______ .00
19. Social Security, SSI and/or railroad retirement benefits ........ **19.** ______ .00
20. Child support (see page 8) ........ 20. ______ .00
21. Unemployment compensation ........ **21.** ______ .00
22. Other nontaxable income (see page 8). Describe: ______ 22. ______ .00
23. Workers' compensation, veterans' disability compensation and pension benefits ........ 23. ______ .00
24. FIP and other FIA benefits ........ **24.** ______ .00
25. **SUBTOTAL.** Add lines 12 - 24 ........ **SUBTOTAL** 25. ______ .00
26. Other adjustments (see page 9). Describe: ______ 26. ______ .00
27. Medical insurance or HMO premiums you paid for you and your family ..... 27. ______ .00
28. Add lines 26 and 27 ........ 28. ______ .00
29. **HOUSEHOLD INCOME.** Subtract line 28 from line 25 ........ **29.** ______ .00

**30. PROPERTY TAX CREDIT** (maximum $1,200) - Enter one of the following:
- FIP/FIA RECIPIENTS, complete lines 54-57 and enter the amount from line 57.
- If line 29 is more than $73,650, see instructions on page 9 and enter the reduced amount.
- ALL OTHERS enter the amount from line 11.

If you file an MI-1040, carry this amount to your MI-1040, line 30 ........ **CREDIT** **30.** ______ .00

***Direct Deposit***
a. Routing Number
b. Account Type: (1) ☐ Checking (2) ☐ Savings
c. Account Number

*Deposit your refund directly into your bank account! Complete a, b and c. See page 10 for instructions.*

***Continue and sign on page 2.***

**PART 1: HOMEOWNERS.** Report on lines 31 and 32 the addresses of the homesteads you are claiming credit on.

| |
|---|
| 31. Address of where you lived on December 31, 2003, if different than reported on line 1. |
| 32. Address of homestead sold during 2003 (No., street and city). |

**f you bought or sold your homestead in 2003, complete lines 33-41. If you lso rented a homestead during 2003, complete lines 42-53.**

| HOMESTEAD: | | A. Moved Into | B. Moved From |
|---|---|---|---|
| 33. Number of days occupied. (Total cannot be more than 365.) | 33. | | |
| 34. Divide line 33 by 365 and enter percentage here | 34. | % | |
| 35. Property taxes levied in calendar year 2003 | 35. | | |
| 36. Prorated taxes. Multiply line 35 by percentage on line 34 | 36. | | |
| 37. Taxable value allowance (see Table 1, page 10) | 37. | | |
| 38. Taxable value | 38. | | |
| 39. Divide line 37 by line 38 | 39. | % | |
| 40. Prorated credit. Multiply line 36 by line 39 | 40. | | |

41. Property tax credit (add columns A and B on line 40). Enter here and on line 11. PART-YEAR RENTERS do not carry to line 11; complete lines 42-53 ..... 41. .00

**PART 2: RENTERS (Veterans Only)**

| 42. Address of Homestead You Rented (No., Street, Apt. #, City) | Landowner's Name and Address | No. of Months Rented | Monthly Rent | Total Rent Paid |
|---|---|---|---|---|
| A. | | | | A. |
| B. | | | | B. |

43. Total rent paid (not more than 12 months). Add total rent for each period ..... 43. .00
44. Multiply line 43 by 20% (.20). Service fee housing residents use 10% (.10) (see page 6). Full-year renters enter here and on line 9 ..... 44. .00
45. Multiply non-homestead property tax millage by .001 (see page 10, Credit Computation Examples) ..... 45.

**Full-year renters complete line 46 only.**

46. Divide line 44 by line 45 to get your taxable value. Enter here and on line 8 ..... 46. .00

**Part-year renters complete lines 47 through 53.**

47. Divide line 43 by the number of months you rented ..... 47. .00
48. Multiply line 47 by 12 months ..... 48. .00
49. Multiply line 48 by 20% (.20). Service fee housing residents, use 10% (.10) (see page 6) ..... 49. .00
50. Divide line 49 by line 45. This is your taxable value ..... 50. .00
51. Percent of tax relief. Divide the amount on line 7 by the amount on line 50 ..... 51. %
52. Multiply line 44 by line 51 ..... 52. .00
53. Add lines 41 and 52. Enter here and on line 11 ..... 53. .00

**PART 3: CREDIT PRORATION.** Complete if you received FIP/FIA benefits.

54. Subtract line 24 from line 29 ..... 54. .00
55. Divide line 54 by line 29 and enter percentage here ..... 55. %
56. Enter amount from line 11 (maximum $1,200) ..... 56. .00
57. Multiply line 56 by line 55. Enter here and on line 30 ..... 57. .00

***Deceased Taxpayers*** If filer is deceased, enter date of death. ▸ If spouse is deceased, enter date of death. ▸

| | | |
|---|---|---|
| *I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.* ▸ I authorize Treasury to discuss my return with my preparer. ☐ Yes ☐ No | | *I declare under penalty of perjury that this return is based on all information of which I have any knowledge.* ▸ Preparer's SSN, PTIN or FEIN |
| Filer's Signature | Date | ▸ Preparer's Name and Address |
| Spouse's Signature | Date | |

IF YOU ARE ALSO FILING FORM MI-1040, ATTACH THIS FORM BEHIND IT. IF NOT, MAIL THIS FORM TO:
**MICHIGAN DEPARTMENT OF TREASURY, LANSING, MI 48956**

Michigan Department of Treasury
2871 (Rev. 9-03)

# 2003 MICHIGAN
# College Tuition and Fees Credit

**2003**
**Schedule CT**

Issued under authority of P.A. 7 of 1995.

**Attach to Form MI-1040. Type or print in blue or black ink.** **Attachment Sequence No. 07**

| | |
|---|---|
| ▸ **1.** Filer's First Name, Middle Initial and Last Name | ▸ **2.** Filer's Social Security Number |
| If a Joint Return, Spouse's First Name, Middle Initial and Last Name | Spouse's Social Security Number |

**Limitations:** To be eligible to claim the credit you must be a permanent Michigan resident and your adjusted gross income must be $200,000 or less.

**3.** Adjusted gross income from your MI-1040, line 10 ........ ▸ **3.** ______ .00

**4.** Credit Amount. Complete all columns and round all amounts to the nearest dollar.

| | Col. A Student Name | Col. B Student Social Security Number | Col. C Name of **Qualifying** Michigan College or University Attended | Col. D College or University Code Number | Col. E Amount of Undergraduate Tuition and Fees Paid | Col. F Multiply Each Amount in Col. E by 8% (.08) | Col. G Credit Amount (Amount in Col. F or $375 Maximum Per Student) |
|---|---|---|---|---|---|---|---|
| a | | ▸ | | ▸ | ▸ | | |
| b | | ▸ | | ▸ | ▸ | | |
| c | | ▸ | | ▸ | ▸ | | |
| d | | ▸ | | ▸ | ▸ | | |
| e | **Total Credit Amount** | Carry this amount to your MI-1040, line 25. (Cannot exceed $375 per student.) | | | | | ▸ **4. $** ______ .00 |

**5.** Is someone else contributing to undergraduate tuition and fees for the student(s) listed above? If "Yes," enter the requested information on line 6 ........ ▸ **5.** ☐ Yes ☐ No

6. Enter the information below if someone else is contributing to undergraduate tuition and fees for the student(s) listed on line 4. Continue using the same "a" through "d" references.

| Column A Student Identification From Line 4 Above | Column B Name and Address of Contributor |
|---|---|
| **a** | |
| **b** | |
| **c** | |
| **d** | |

**To claim this credit, you must file an original form, a copy of this form, or a Treasury-approved substitute form.**

**www.michigan.gov/treasury**

# General Information
# Michigan College Tuition and Fees Credit

A nonrefundable Michigan income tax credit for college tuition and uniformly-required fees paid on behalf of a student is available for 2003. Uniformly-required fees are those fees which are paid by all students attending the named college or university.

To claim this credit, a taxpayer must be a permanent resident of Michigan at the time the tuition and fees were paid, have adjusted gross income of $200,000 or less, and file a *Michigan Income Tax Return* (Form MI-1040).

The student must attend a Michigan institution of higher education which certifies that tuition will not increase in the ensuing academic year by more than the preceding year's rate of inflation. See the list below. If your school is not listed, you may not claim the credit.

The amount of the credit is limited to 8 percent of tuition and fees paid per student. The credit cannot exceed $375 for each student in each tax year and can only be taken for four years per student.

Students attending an institution providing programs solely for sectarian instruction or religious worship are not eligible for the credit.

When computing the credit remember:

- The student must be working on an undergraduate degree or certificate.

- Use the amount of tuition and fees actually paid by the claimant during the tax year. Tuition and fees paid by student loan funds are eligible for the credit. Do not include the amount covered by MET contracts, scholarships, grants, etc.

- The cost of books, room and board, transportation, etc. are not considered tuition and fees paid and therefore cannot be used in the computation.

- The credit cannot exceed $375 per student, even if two or more individuals have contributed to one student's education.

- Amounts paid into (or under) a MET contract do not qualify as tuition paid.

Treasury may request proof of tuition and fees paid. Failure to attach your *Schedule CT* to your MI-1040 can delay processing of your return.

If your school is not listed, you may not claim the credit.

## 2003 MICHIGAN COLLEGE AND UNIVERSITY CODE LIST

Approved colleges and universities are listed alphabetically with code numbers to the left of the name.

| | | | |
|---|---|---|---|
| 0505 | Bay Mills Community College | 0624 | St. Clair County Community College |
| 0341 | Lewis College of Business | 0636 | Wayne County Community College |
| 0612 | Oakland Community College | 0425 | William Tyndale College |

# 2003 MICHIGAN
# Home Heating Credit Claim

Issued under authority of P.A. 281 of 1967. **Type or print in blue or black ink.**

**2003**
**MI-1040CR-7**
**Attachment Sequence No. 08**

PLACE LABEL HERE

| | |
|---|---|
| **1.** Filer's First Name and Middle Initial and Last Name | **2.** Filer's Social Security Number |
| If a Joint Return, Spouse's First Name and Middle Initial and Last Name | **3.** Spouse's Social Security Number |
| Home Address (No., Street, P.O. Box or Rural Route) | |
| City or Town | State / ZIP Code |

**4.** Are your heating costs currently included in your rent or is your heat service in someone else's name? If you check YES, you will receive a check (see line 36). If you check NO or leave blank, you will receive an ENERGY DRAFT. ☐ YES ☐ NO

**5.** Do you want your name and address referred to other government assistance programs you may qualify for? ☐ YES ☐ NO

**6.** If you live in one of these CARE facilities, check the box.
A. ☐ Nursing Home B. ☐ Adult Foster Care Home
C. ☐ Licensed Home for the Aged D. ☐ Substance Abuse Center

**7.** Do you or your spouse now receive Supplemental Security Income (SSI)? ☐ YES ☐ NO

**8.** AGE. If you are age 60 or older, enter your age. A. You ______ B. Spouse ______

**9.** How much were you billed for heat between 11/1/2002 - 10/31/2003? $ ______ .00

**10.** County Code

**11. Exemptions.** Enter the number that applies to you, your spouse or your dependents and complete line 12 below.

- Personal Exemption (1 or 2) ........ **A.** ______
- Age 65 or older ........ **B.** ______
- Deaf, Disabled or Blind ........ **C.** ______
- Unemployment compensation greater than 50% of AGI (Enter 1) **D.** ______
- Number of children living with you:
  - Ages 2 and under ........ **E.** ______
  - Ages 3 - 5 ........ **F.** ______
  - Ages 6 - 18 ........ **G.** ______
- Dependent adults, other than your spouse, who live with you (including children over 18) ........ **H.** ______
- Add lines A through H........ **I.** ______

12. Enter below the name, Social Security number, relationship and age of the dependents you claimed (see line 11, E - H above).

| Dependent's Name | Dependent's Relationship to You | Social Security Number | Age in Years |
|---|---|---|---|
| a. | | | |
| b. | | | |
| c. | | | |
| d. | | | |

**Be sure to include income from both spouses.**

13. Wages, salaries, tips, sick, strike and SUB pay, etc ........ 13. ______ .00
14. All interest and dividend income (including nontaxable interest) ........ 14. ______ .00
**15.** Net rent, business or royalty income ........ **15.** ______ .00
16. Annuity, pension and IRA benefits. Name of Payer: ______ 16. ______ .00
17. Net farm income ........ 17. ______ .00
18. Capital gains less capital losses ........ 18. ______ .00
19. Alimony and other taxable income (see instructions). Describe: ______ 19. ______ .00
**20.** Social Security, Supplemental Security Income (SSI) and/or railroad retirement benefits ........ **20.** ______ .00
21. Child support ........ 21. ______ .00
**22.** Unemployment compensation ........ **22.** ______ .00
23. Other nontaxable income (see instructions). Describe: ______ 23. ______ .00
24. Workers' compensation, veterans' disability compensation and pension benefits ........ 24. ______ .00
**25.** FIP and other FIA benefits ........ **25.** ______ .00

26. **Subtotal.** Add lines 13 - 25 ........ **Subtotal** 26. ______ .00
27. Other adjustments (see instructions). Describe: ______ 27. ______ .00
28. Medical insurance or HMO premiums you paid for you and your family ........ 28. ______ .00
29. Add lines 27 and 28 ........ 29. ______ .00
**30.** HOUSEHOLD INCOME. Subtract line 29 from line 26 (If a negative amount, enter "0".) ........ **30.** ______ .00

**Go to page 2 and complete lines 33-41 (Standard and Alternate Home Heating Credit Computations).**

31. Enter the amount from line 41 ........ 31. ______ .00
**32. HOME HEATING CREDIT**. Multiply the amount on line 31 by 80% (0.80) ........ **32.** ______ .00

**Claim must be filed (postmarked) by September 30, 2004 to receive a credit.**

*Continued on page 2.*

## Standard and Alternate Home Heating Credit Computations

33. **STANDARD CREDIT**. Standard allowance (from Table A) ............ 33. .00
34. Multiply household income (line 30) by 3.5% (.035) ............ 34. .00
35. Subtract line 34 from line 33 for standard credit amount. If line 34 is greater than line 33, enter "0" ............ 35. .00
36. If you answered "Yes" to line 4 (heating costs currently included in rent or heat service in someone else's name), multiply the amount on line 35 by 50% (.50). Enter here and on line 41. (If approved, the final amount as shown on line 32 is issued as a check.) ............ 36. .00
37. **ALTERNATE CREDIT**. Total heating costs from line 9 or $1,687 (whichever is less) ............ 37. .00
38. Multiply household income (line 30) by 11% (.11) ............ 38. .00
39. Subtract line 38 from line 37. If line 38 is greater than line 37, enter "0" ............ 39. .00
40. Multiply line 39 by 70% (.70) for alternate credit amount ............ 40. .00
41. If you completed line 36, enter that amount here. Otherwise, enter the larger of lines 35 or 40 here. **You must also enter this amount on line 31 on the front of this form** ............ 41. .00

42. Residency Status in 2003:
a. ☐ Resident  b. ☐ Nonresident  c. ☐ Part-Year Resident. Complete Dates:

| | FROM (Month / Day / Year) | TO (Month / Day / Year) |
|---|---|---|
| YOU | | |
| SPOUSE | | |

Use the tables below to see if you qualify for this credit. If you are eligible under both methods, claim the larger amount.

### TABLE A
**Standard Allowance for the Standard Credit Computation**

| Your Exemptions (from line 11.l) | Standard Allowance | Income Ceiling |
|---|---|---|
| 0 or 1 | $347 | $ 9,914 |
| 2 | 468 | 13,371 |
| 3 | 589 | 16,829 |
| 4 | 709 | 20,257 |
| 5 | 830 | 23,714 |
| 6 | 951 | 27,171 |
| | +121 for each exemption over 6 | +3,454 for each exemption over 6 |

### TABLE B
**Exemptions and Maximum Income for the Alternate Credit Computation**

| Your Exemptions (from line 11.l) | Maximum Income |
|---|---|
| 0 or 1 | $11,211 |
| 2 | $15,088 |
| 3 or more | $15,340 |

### County Code Table

| | | | | | |
|---|---|---|---|---|---|
| 01 Alcona | 15 Charlevoix | 29 Gratiot | 43 Lake | 57 Missaukee | 71 Presque Isle |
| 02 Alger | 16 Cheboygan | 30 Hillsdale | 44 Lapeer | 58 Monroe | 72 Roscommon |
| 03 Allegan | 17 Chippewa | 31 Houghton | 45 Leelanau | 59 Montcalm | 73 Saginaw |
| 04 Alpena | 18 Clare | 32 Huron | 46 Lenawee | 60 Montmorency | 74 St. Clair |
| 05 Antrim | 19 Clinton | 33 Ingham | 47 Livingston | 61 Muskegon | 75 St. Joseph |
| 06 Arenac | 20 Crawford | 34 Ionia | 48 Luce | 62 Newaygo | 76 Sanilac |
| 07 Baraga | 21 Delta | 35 Iosco | 49 Mackinac | 63 Oakland | 77 Schoolcraft |
| 08 Barry | 22 Dickinson | 36 Iron | 50 Macomb | 64 Oceana | 78 Shiawassee |
| 09 Bay | 23 Eaton | 37 Isabella | 51 Manistee | 65 Ogemaw | 79 Tuscola |
| 10 Benzie | 24 Emmet | 38 Jackson | 52 Marquette | 66 Ontonagon | 80 Van Buren |
| 11 Berrien | 25 Genesee | 39 Kalamazoo | 53 Mason | 67 Osceola | 81 Washtenaw |
| 12 Branch | 26 Gladwin | 40 Kalkaska | 54 Mecosta | 68 Oscoda | 82 Wayne |
| 13 Calhoun | 27 Gogebic | 41 Kent | 55 Menominee | 69 Otsego | 83 Wexford |
| 14 Cass | 28 Gr. Traverse | 42 Keweenaw | 56 Midland | 70 Ottawa | |

***Deceased Taxpayers*** If filer is deceased, enter date of death. ▸ ____ If spouse is deceased, enter date of death. ▸ ____

Before you sign, please review your claim. Make sure your name, Social Security number and current mailing address are on the form and that you have answered all the questions that pertain to you.

| | | |
|---|---|---|
| *I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.* ▸ I authorize Treasury to discuss my return with my preparer. ☐ Yes ☐ No | | *I declare under penalty of perjury that this return is based on all information of which I have any knowledge.* |
| Filer's Signature | Date | ▸ Preparer's SSN, PTIN or FEIN |
| Spouse's Signature | Date | ▸ Preparer's Name and Address |

**File (postmark) your claim by:**
**September 30, 2004**

**Mail your claim to:**
**Michigan Department of Treasury**
**Lansing, MI 48956**

Michigan Department of Treasury
3812 (Rev. 12-03)

**2003**
**MI-8839**

# 2003 MICHIGAN
# Qualified Adoption Expenses

Issued under authority of P.A. 393 of 2000.

**Attach to Form MI-1040. Type or print in blue or black ink.** **Attachment Sequence No. 10**

| Filer's First Name, Middle Initial and Last Name | Filer's Social Security Number |
|---|---|
| If a Joint Return, Spouse's First Name, Middle Initial and Last Name | Spouse's Social Security Number |

You must complete form U.S. *8839, Qualified Adoption Expenses*, prior to completing this form. You must attach a copy of your completed U.S. *8839* to receive a Michigan credit.

**PART 1: INFORMATION ABOUT YOUR ELIGIBLE CHILD OR CHILDREN**
Complete Part 1 below using information provided on your U.S. 8839, Part 1.

| | A. Child's Name | B. Child's Year of Birth | C. Child's Identifying Number | D. Qualified Expense for Each Child |
|---|---|---|---|---|
| 1. | | | | $ .00 |
| 2. | | | | $ .00 |
| 3. | | | | $ .00 |
| 4. | | | | $ .00 |

5. Total qualified expenses. Enter total of Column D ........ $ .00

**PART 2: ADOPTION CREDIT**

6. Enter total number of eligible children from Part 1 ☐

7. Enter amount from U.S. *8839*, line 12 ........ 7. $ .00

8. Subtract line 7 from line 5. If line 7 is larger than line 5, enter zero ........ 8. $ .00

9. Multiply line 6 by $1,200 ........ 9. $ .00

10. Enter the smaller of line 8 or line 9 here and on line 32 of your MI-1040 ........ 10. $ .00

Michigan Department of Treasury
3174 (Rev. 10-03)

**3174**

# 2003 MICHIGAN
# Direct Deposit of Refund

Issued under authority of P.A. 281 of 1967.

**Attach to Form MI-1040CR-7. Type or print in blue or black ink.** **Attachment Sequence No. 11**

| | |
|---|---|
| **1.** Filer's First Name, Middle Initial and Last Name | **2.** Filer's Social Security Number |
| 3. If a Joint Return, Spouse's First Name, Middle Initial and Last Name | 4. Spouse's Social Security Number |
| 5. Name of Financial Institution | |

**6.** Routing Transit Number (RTN)

The first two numbers of the RTN must be 01 through 12 or 21 through 32.

**7.** Account Number

**8.** Type of Account:

(1) Checking ☐ (2) Savings ☐

## Why Use Direct Deposit?

***Convenient:*** Your refund is deposited directly into your account at the financial institution of your choice.

***Safe:*** Direct Deposit eliminates lost or stolen refund checks.

***Reliable:*** Direct Deposit is done electronically. Your refund is deposited timely, even if you are on vacation or traveling on business.

## General Instructions

If you file an MI-1040CR-7 and are not receiving an energy draft, complete this form to have your check directly deposited into your bank account.

First check with your financial institution to (1) make sure it will accept direct deposit, (2) obtain the correct RTN and account number, and (3) if applicable, verify that your financial institution will allow a joint refund to be deposited into an individual account.

You may also use Direct Deposit if you file an MI-1040, MI-1040CR or MI-1040CR-2. The request for Direct Deposit information is contained on these forms. A separate Direct Deposit of Refund, Form 3174, is not required.

**You should NOT file this form if:**

- You file an MI-1040CR-7 and an energy draft will be issued.
- You file electronically. Give your routing transit number (RTN) and bank account number to your tax preparer. This information will become part of the electronic file.
- You are a **personal representative** filing a return on behalf of a deceased taxpayer.
- You completed the Direct Deposit information on the MI-1040, MI-1040CR or MI-1040CR-2.

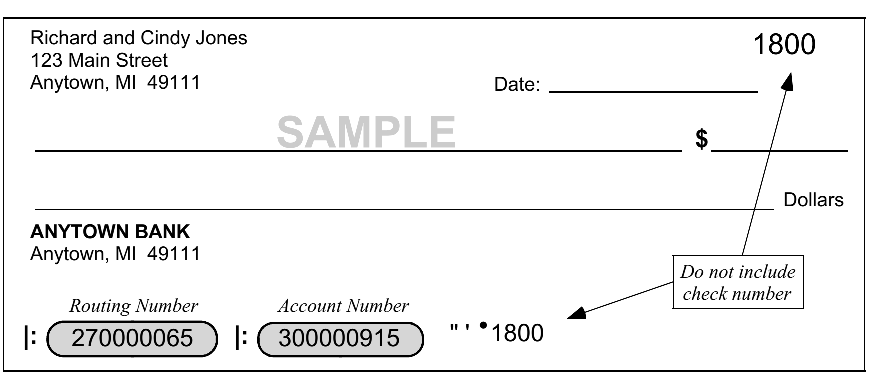
## Line-by-Line Instructions

Lines not listed are self-explanatory.

**Line 5:** Enter the name of the financial institution where the direct deposit will be made.

**Line 6:** Enter the nine-digit routing number. The routing number is usually found between the symbols |**:** and |**:** on the bottom of your check (see check sample). The first two digits must be 01 through 12 or 21 through 32.

**Line 7:** Enter your bank account number up to 17 characters (both numbers and letters). The account number is usually found immediately to the right of the routing number on the bottom of your check (see check sample). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave unused boxes blank. Do not include the check number.




*The routing number and account number may appear in a different location on your check.*

*Continued on reverse side.*

## What If There Is a Problem With My Direct Deposit Request?

If we are unable to honor your request for direct deposit, we will send you a check. Your request for direct deposit may be affected by any of the following:

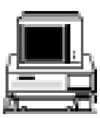
- You or your spouse owe a debt to the State of Michigan or to a third party which the state is obligated to pay before it can refund money to you. This includes child support, garnishments and levies.
- You close your bank account after submitting your tax return and direct deposit request.
- The financial institution rejects the direct deposit because you entered an incorrect routing number or account number, or you did not check the correct box for line 8.
- You requested that your refund be deposited into a foreign bank or a foreign branch of a U.S. bank. The State of Michigan can only make direct deposits to accounts in U.S. financial institutions located in the United States.

**More Information on Direct Deposit.** Call the Michigan TeleHelp System at 1-800-827-4000, select menu option “4,” then “192.” You may also contact your financial institution to find out if your direct deposit has been made. Allow at least eight weeks for the processing of your refund before calling your financial institution.

## Help With Your Taxes

The Michigan Department of Treasury is committed to fair, consistent and courteous customer service. The following services are available 24 hours a day, 7 days a week.

NOTE: To get return information using the “Internet” and “Telephone” options below, you must have the primary filer’s Social Security number and adjusted gross income or household income.



**Internet**
**www.michigan.gov/iit**

Access the Department of Treasury Web site to:

- Check the date Treasury is currently processing returns
- Check if your refund has been issued, and when, for the current year and three prior years*
- Ask Treasury a question
- Request copies of returns filed

**Telephone**
**1-800-827-4000**

Call the Computerized Return Information System (CRIS) to:

- Check the date Treasury is currently processing returns
- Check if your refund has been issued, and when, for the current year and three prior years*
- Check estimated payments
- Order copies of current and prior year tax forms

** You can file a home heating credit for the current tax year only.*

**Visit Our Web site at: www.michigan.gov/treasury**

Michigan Department of Treasury
3924 (Rev. 10-03)

# 2003 MICHIGAN
# Withholding Tax Schedule

**2003**
**Schedule W**

Issued under authority of P.A. 281 of 1967.

**INSTRUCTIONS:** If you had Michigan income tax withheld in 2003, you must complete a Withholding Tax Schedule (Schedule W) to claim the withholding on your Individual Income Tax Return (MI-1040, line 33). Attach your completed Schedule W to your MI-1040 form. See complete instructions on the reverse side of this form. **Type or print in blue or black ink**.

## IDENTIFICATION

**Attachment Sequence No. 13**

| | |
|---|---|
| Filer's First Name, Middle Initial and Last Name | Filer's Social Security Number ▶ |
| If a Joint Return, Spouse's First Name, Middle Initial and Last Name | Spouse's Social Security Number |

## TABLE 1: MICHIGAN TAX WITHHELD ON W-2s

| ▶ A. Enter "X" if W-2 is for: You | Spouse | ▶ B. Box b - Employer's federal identification number | C. Employer's name | D. Box 1 - Wages, tips, other compensation | ▶ E. Box 17 - Michigan income tax withheld | F. Box 19 - City income tax withheld |
|---|---|---|---|---|---|---|
| | | | | .00 | .00 | .00 |
| | | | | .00 | .00 | .00 |
| | | | | .00 | .00 | .00 |
| | | | | .00 | .00 | .00 |
| | | | | .00 | .00 | .00 |
| | | | | .00 | .00 | .00 |
| | | | | .00 | .00 | .00 |
| | | | | .00 | .00 | .00 |

| | | |
|---|---|---|
| Enter total from additional Schedule Ws (if applicable) | .00 | .00 |
| 1. SUBTOTAL. Enter total of Table 1, columns E and F. Carry total from column F to the City Income Tax Worksheet in the MI-1040 Instruction Book ... 1. | .00 | .00 |

## TABLE 2: MICHIGAN TAX WITHHELD ON 1099s

| ▶ A. Enter "X" if 1099 is for: You | Spouse | ▶ B. Employer's federal identification number | C. Employer's name | D. Taxable pension distribution, misc. income, etc. (see instr.) | ▶ E. Michigan income tax withheld | F. Box 7 - Distribution Code (1099R only) |
|---|---|---|---|---|---|---|
| | | | | .00 | .00 | |
| | | | | .00 | .00 | |
| | | | | .00 | .00 | |
| | | | | .00 | .00 | |
| | | | | .00 | .00 | |
| | | | | .00 | .00 | |

| | |
|---|---|
| Enter total from additional 1099s (if applicable) | .00 |
| 2. SUBTOTAL. Enter total of Table 2, column E ... 2. | .00 |
| **3. TOTAL**. Add line 1 and line 2, column E. Carry total to your MI-1040, line 33 ... ▶ **3.** | .00 |

**www.michigan.gov/treasury**

# Instructions for Completing the Withholding Tax Schedule (Schedule W)

## General Information

Schedule W is designed to report State of Michigan and Michigan city income tax withholding. Schedule W will be imaged to enable us to process your individual income tax return more efficiently.

Attach the completed Schedule to your return. A Sequence Number is listed in the upper right corner to help you assemble your form in the correct order behind your MI-1040 Individual Income Tax Return. **If a Schedule W is not attached when required, the processing of your return may be delayed. Do not attach your W-2 and/or 1099 forms to your return.** Keep copies with your tax records for six years and have them available if requested by the Department of Treasury.

**Michigan Residents.** If you paid income tax to a governmental unit outside of Michigan, see instructions for MI-1040, line 23, on page 13.

## Completing the Withholding Tables

*Lines not listed are explained on the form.*

Complete the Withholding Tables using information from your W-2, 1099 forms, and any other documents that contain Michigan tax withheld. If you need additional space, attach another Schedule W.

**Column D**

Table 1: From W-2s, enter wages, tips, military pay, and other compensation.

Table 2: From 1099s or other withholding documents, enter unemployment compensation, taxable interest, ordinary dividends, miscellaneous income, bartering, taxable pension distributions in excess of contributions, state and local income tax refunds, credits or offsets, rents, royalties, and/or other taxable income from which Michigan tax was withheld.

**Column F**

Table 1: Enter city income tax withheld from Michigan cities only.

Table 2: Enter Distribution Code from your 1099R (if applicable).

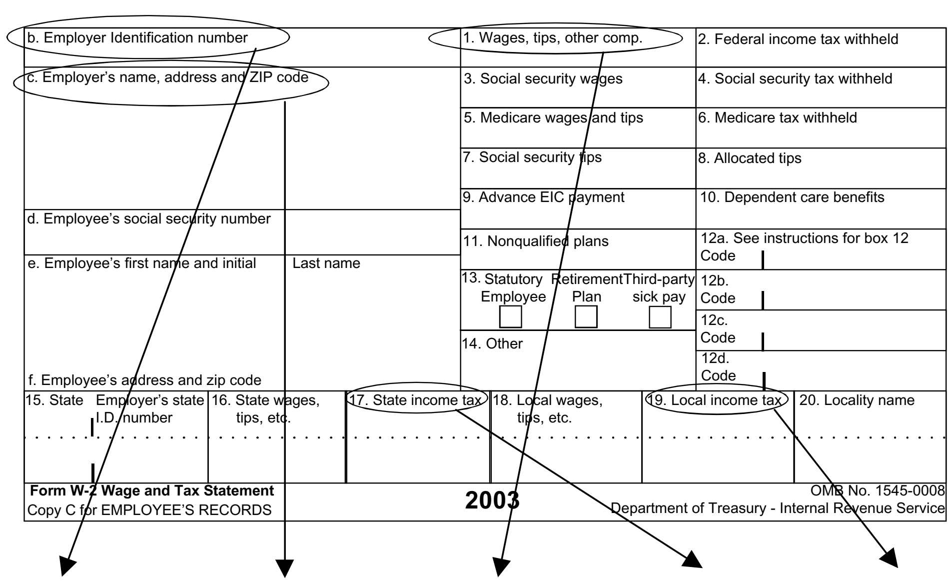
**Line 1, SUBTOTAL**

Enter the total of Table 1, columns E and F. Carry total from Table 1, column F, to the City Income Tax Worksheet in the MI-1040 Instruction Book.

**Line 3, TOTAL**

Add line 1 from Table 1, and line 2 from Table 2. Enter total on Table 2, line 3, and carry to your MI-1040, line 33.

## Sample W-2




| A. | B. | C. | D. | E. | F. |
|---|---|---|---|---|---|
| Enter "X" if W-2 is for: You or Spouse | Box b- Employer's federal identification number | Employer's Name | Box 1-Wages, tips, other compensation | Box 17-Michigan income tax withheld | Box 19-City income tax withheld |

*The information in this publication is available,*
*upon request, in an alternative, accessible format.*